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Development and climate: a view from the South

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Development and climate: a view from the South

Development and climate regime: "the Gordian Knot"

"Development" is a transcendental concept that encapsulates myriad factors like economic status, social fabric, institutions and factor endowments that exist in nations. The term has gained acceptance as a singular indicator for describing the well-being of a nation. The all-encompassing concept of development is flexibly qualified, with added prefixes like economic, social, human and sustainable, to suit specific contexts.

Its significance has gained as national governments have increasingly acknowledged "development" as the primary objective of their policies.

Climate change due to the anthropogenic interference with natural climate is an extreme case of external effects of human activities. The location of the activity that causes the greenhouse gas emission is immaterial, whereas its impacts are global, long-term and asymmetric among nations vis-à-vis their emissions. Historically, the timing of the climate change issue is inconvenient for developing countries. The recognition of the phenomenon coincides with the period when developing countries are set for rapid economic growth. The timing is inopportune in terms of their low stature in global power equations, i.e. the military power and access to capital and control over natural and knowledge resources, the very dynamics that define and constrain the rules of the negotiation game.

Developing country position *vis-à-vis* climate change is influenced by three factors. First is the asymmetry of cause (emissions) and effect (impacts) and the asymmetry of capabilities and responsibilities among the nations. Second is their preoccupation with economic development for next several decades. Third is their weak bargaining power in global negotiations. The first relates to substantive aspects of equity, i.e. sharing the burden of mitigation and adaptation actions and the impacts from "acceptable" climate change. The second calls for linking the development and climate change policies to minimize the external effects of climate change on development processes. The third seeks procedural fairness in negotiations so as to arrive at a robust regime that achieves the first two with minimum transaction costs and risks.

No sword of Alexander can cut this Gordian Knot of development and climate, tied by history. There are two critical steps to cutting this knot. First is to transform a possibly conflicting game of "winners" and "losers" among the nations to a cooperative game for the benefit of all. Equity is thus a precondition for efficiency. Second is to craft policies that are built on a broad vision of "sustainable development" and the principle of "equal but differential responsibilities" announced in the United Nations Framework Convention on Climate Change (UNFCCC). This would garner multiple dividends via synergistic actions that benefit both the climate change and development. This second step, that we may call "Development First", is also a precondition for efficiency of climate change regime.

Lacunae of the present approach

The principal question a climate regime should answer is: "*who should pay, how much and to whom for the climate change burden (i.e. for mitigation and adaptation actions and for the impacts from inaction)?*". The answers from the UNFCCC process to this so called "burden sharing" problem are at best unclear. More so, the present focus of the negotiations to addressing the question has been faulty. The four principal defects of the present approach are:

- excessive preoccupation with creating the mitigation regime based on "rights" (marketable property rights) rather than "responsibilities" (e.g. polluter pays),
- predominant attention on efficiency (cost-effectiveness) and little attention to equity in sharing the burden,
- inability to assess the multiple dividends or penalties of climate change action or inaction, and,
- very little appreciation of the different historical conditions or the "developmental stage" of developing nations in terms of their priorities and capabilities (especially institutional).

Rights versus responsibilities

The first lacuna derives from the economic ideology that seeks answer to every problem in private property and market. The quantum of emissions rights is arrived at by the “cost-benefit” assessment that balances different costs so as to minimize the total climate change burden. These rights are thus not absolute. The rights regime would (and should) therefore change with enhanced scientific knowledge of the phenomenon, its impacts, the nature of economic development and the evolution of technological choices. Any rights arrangement creates winners and losers. Attached to every emission right, as its dual, is the responsibility for compensation. While nations seek the rights in present UNFCCC negotiation process, responsibilities are not paid due attention. This is a grave concern for the developing countries that shall be losers in any regime of rights, but can be equal partners in a fair regime of responsibilities.

Efficiency versus equity

The guiding principle of UNFCCC exhorts for equity and efficiency. The Article 3.1 enunciates the principle of “*common but differentiated responsibilities*” among the nations, i.e. greater acceptance of burden by the developed countries in combating the climate change. The Article 3.3 urges efficiency - “*.... policies and measures to deal with climate change should be cost-effective so as to ensure global benefits at the lowest possible cost*”. The climate change regime is thus all about *efficiency*, i.e. minimizing the burden, and *equity* i.e. fair sharing of the burden. The burden includes costs of emissions mitigation, adaptation to climate change and impacts from climate change. The present negotiations suffer from myopic vision that focuses on efficiency and equity concerns solely in the emissions mitigation sphere. This limited vision has led nations to clamor for acquiring emissions rights, apart from accepting the associated responsibility of mitigating the damages caused by these very rights. This exclusive focus on emissions rights has diverted the attention away from the more important task of crafting the integrated and comprehensive burden-sharing regime.

Multiple dividends and penalties

Climate change has interface with most human activities and natural systems. These multiple interfaces, together with long-term interrelationships, complicate the assessment of the impacts or benefits of the climate change causing or mitigating actions. Approaches that exclusively rely on market have grave limitations in harnessing multiple dividends and penalties that co-exist in the complex socio-economic dynamics, especially those in developing nations. The climate change policies have to work along with the developmental transformations in these societies. Most important therefore is to synergize the development and climate change policies to net multiple dividends and avoid getting trapped into multiple penalties.

Development dynamics

The socio-economic dynamics in developing countries differ from those in the developed world in three key dimensions. First is the *dual economy*, i.e. the co-existence of modern market based and traditional weak-market and subsistence based economic forms. Whereas the modern part of the economy is linked to global markets, the traditional economy is essentially rural and is weakly linked even with modern sectors of the national economy. Second is the existence of a vast *informal economy* with its own institutions and the rule of law that functions outside of the influence of the formal institutions and laws. The informal sector free rides over public goods, transfers the risks to formal sectors, enhances the transaction cost, distorts competition and dilutes the influence of policies. Third is the existence of *subservient interests*, i.e. the institutions, laws, economic forms and political class that is subservient to the dominant external interests. This distorts market competition, hinders development of national industries, causes inefficient resource allocations, creates market for conspicuous consumption and distorts development policies. These dynamics have vital bearing on sustainable national development and climate change. Their understanding therefore is the key to crafting policies that link development and climate change.

Climate change and the North-South cooperation regime

The global climate change regime is a cooperative venture of all nations. The universality of the climate change problem renders the participation of all nations a precondition for the success of climate change regime. However, the differences among the nations in terms of their stage of development, contribution to climate change causing emissions and exposure to its impacts require each nation to be treated uniquely. The broad dichotomy is between the developed (North) and developing (South) nations. Table 1 summarizes the key issues and strategies among and across these blocks of nations from a North-South cooperative perspective.

Table 1. Cooperative climate change regime - the key Issues and strategies

Domain	Key Issues	Strategies
Global	Negotiation to implement convention's objectives Evolve a cooperative regime Initiate near term actions like moderate mitigation regime	Promote scientific assessment Link science to global policy Develop institutions and frameworks for long-term interventions Initiate flexible mitigation mechanisms
North	Emissions Limitations Cost-effective and flexible global mitigation regime Domestic Mitigation Policies Technology R&D	Emissions trading / CDM to minimize costs of compliance Allocation of emission rights to domestic entities Carbon tax Corporate GHG Protocols Cooperative technology research
South	Development Priorities Precautionary principle and equity in climate regime Risks from climate change	Link development and local environment actions with climate change policies Technology learning as hedging option Impacts assessment to identify vulnerable systems Identify adaptation options Learning to adapt as a hedging option
North-South	Cooperation for flexible and cost-effective mitigation Resource, Knowledge and Technology Transfer to South	CDM projects Bilateral mitigation projects Technology collaborations Finance and resource commitment to win-win mitigation programs in South
South-South	Regional sustainable development Rational use of regional resources, scale economy and joint products Preservation of regional ecosystems	Sharing of regional river Sharing of regional energy resources Facilitate access to external resources Sharing of innovations and knowledge Sharing of R&D costs in niche areas Common strategy and shared costs for minimizing impacts of climate change on transboundary ecosystem

"Development First": the Southern perspective

Pertinent question before the global climate change policy makers is: "*what policies shall best meet the objectives of the convention*". From the Southern perspective, putting development in front, i.e. "development first", is a good starting point. More important are the concrete steps –the executable policies, strategies and actions to mitigate climate change that are coherent with development priorities rather than in conflict with them. The 21st century shall bring forth, both the opportunities for cooperation and the occasions for conflict, among the North and South nations on various fronts. Each of these can be potential threat or opportunity for advancing the climate change agenda. During the century, the three crucial areas of concern from the Southern perspective would be:

- *equity* in international affairs in general and climate change in particular,
- *trade* regime and especially the *labor market dynamics* under globalization regime and its implications for development, and,
- *peace*, i.e. the resolution of outstanding *regional conflicts* that hamper cooperation, development of regional markets and divert attention and resources away from the development priorities.

Equity

The equity issues are hotly debated in the climate change circles, although most discussions are lopsided and limited only to equitable distribution of emissions rights among the nations. For developing countries, there are three vital aspects of equity in climate change. *First* is to consider equity holistically, i.e. to cover the entire burden including impacts and adaptation costs. *Second* is to identify the winners and losers, not only among the nations, but also within nations and ensure that winners are taxed to compensate the losers. The domestic equity would have to be monitored and implemented while avoiding the sovereignty conflict. This notwithstanding, the equity within national boundaries shall be equally relevant for the completeness and efficacy of the regime. *Third* is to accept the general truth that there can not be a stand-alone equity in climate change regime, apart from the rest of the international arrangements. Therefore equity in related international interfaces, such as trade, would be essential for equity in climate change.

Trade and labor market dynamics

The global trade agreement has lowered barriers to the movement of goods and finances, although overt and covert restrictions on movement of labor remain intact. Developing countries are the net suppliers of labor and therefore restrictions on labor not only diminish the gross global product, but especially the incomes of developing nations. Selective policies of permitting migration of only highly skilled personnel from developing

nations creates further drain on developing economies, who lose the vital skills created by expending their meagre resources. The global labor market policies therefore will have vital impact on the development and also the capabilities of developing nations to deal with climate change. Labor market dynamics would be key to any global regime that deals with development, more so the global sustainable development. The world, divided by restrictions human movements, would be neither amenable to sustainable development nor conducive to an equitable and efficient climate change regime envisioned in the UNFCCC.

Regional conflicts, development and climate

Many developing regions are faced with regional conflicts that are the legacy of colonial past. These conflicts, may it be in Middle East, Africa, South-Asia, Latin-America or Eastern Europe, have diverted resources and attention away from development, apart from causing suffering and miseries to untold people. Globalization has potential to exacerbate or to alleviate these conflicts. Regional conflicts limit options for climate change mitigation and adaptation. For instance, the cooperation to share the Himalayan rivers and access to gas resources is vital for regional development as well as for substitution of India coal resources. Conflicts in the region add risks and transaction costs to projects that harness these low greenhouse gas emitting resources. The extent of resolution of these conflicts would have vital bearing on development and climate.

Discussion

The 21st century poses enormous opportunities and challenges to humanity. Development would remain the primary preoccupation of developing countries through the century, while other universal battles such as climate change mitigation would have to be fought collectively. “Development first” therefore would be an appropriate motto for the developing country vision. Notwithstanding their commitment to the mitigation of climate change and its impacts, developing nations need cooperation and assistance from the developed world to effectively contribute to the objectives of the climate convention. Global sustainable development and climate regime therefore will have to interface closely and coherently. The measure of the success of 21st century global development would be the development in developing countries, the narrowing of the income and capability gap among the nations and equity in all international spheres. Both development and climate regime would be profoundly affected by the dynamics that would influence equity among nations and people, especially the labor, and sustained peace in all regions. That is the vision of the South, which would gain most from positive dynamics in these spheres and so also from the resulting benign climate regime.