



Beyond a Zero-Sum Game

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“On major strategic and international questions today, Americans are from Mars and Europeans are from Venus. They agree on little and understand one another less and less.”

Robert Kagan, Beyond a Zero-Sum Game

Robert Kagan’s characterisation of Europeans as enervated wimps and Americans as warlike thugs is an inexcusable simplification, of course; but, boy, does it hold true when the world gets together to ‘respond’ to impending environmental disaster.

American negotiators arrive at the talks already bristling. They just know that they’re going to be asked to sign up to some high-falutin’ promises that no-one has any intention of keeping. The Europeans walk around with a ‘bully me’ sign around their necks and then act surprised when everyone queues up to oblige. It may not be a clash of civilizations, but it certainly is a clash of cultures and one that played out exactly as expected in Bali last year, as governments talked about talks about climate change. True to form, the European Union staked out the high ground on day one and then ceded it inch by inch. But it went worse for the Americans. They found themselves isolated and friendless, and had to run for home followed by a cacophony of decidedly undiplomatic catcalls and boos.

Expect more of the same over the next year or so. The climate problem is now urgent enough to be a major determinant of the transatlantic relationship. In the wake of Bali, we are promised summits and shindigs galore as the world struggles to agree a global deal to replace Kyoto. This will keep climate at the top of the political and news agenda. But if a global deal is signed in 2009, the fun will only just have started. Greenhouse gas emissions will need to be slashed by at least half, and probably much more, by 2050. Rich countries will be expected to make deep cuts almost immediately. A colossal and unprecedented economic realignment will therefore be needed. It’s a huge task. So how will Europe and the US fare on this shifting terrain?

It’s tempting to see good times ahead for the Europeans. After all, they’ve already dreamed up one insanely complex supranational institution and found it a happy home in Brussels (and Strasbourg every second Tuesday). They’re thus much more likely to feel at home with a bigger, badder, bolder sequel to Kyoto. On top of that, and unlike the Americans, they have a plan. By agreeing to unilateral cuts in their own emissions – 20% by 2020, more if others join in – they’re hoping to force the pace of a new agreement. They’re also working hard to get the other Kyoto countries on board. The aim is to agree a joint position early next year, just in time to bounce a new American administration into action.

The Americans, meanwhile, are rudderless, as the world waits for Bush to see out his term. Most of the candidates to replace him are promising stronger leadership on the climate issue, something that has left many Europeans giddy with excitement. But

they may be disappointed if they expect the new President to sweep them off their feet. Already in Bali, US negotiators were boasting about American leadership, while muttering darkly about others needing to 'fall in line and follow'. A new President may take a more conciliatory tone than his or her predecessor, but will be as aggressive in protecting the national interest.

Otherwise, any new deal will share the fate of the last one. We all remember George Bush denouncing Kyoto as unfair to America, but few recall that Bill Clinton made no move to present it to the Senate for ratification. Even a Democrat President judged the political conditions as not right. Poor Kyoto never stood a chance.

Expect competing visions of 'fairness' to bedevil the negotiations over its successor. America is determined that China and India should do their bit. This infuriates the world's biggest countries. The rich have enjoyed years of unconstrained, high carbon growth, they argue. It's up to them to deal with the consequences. Europeans, meanwhile, resent the suggestion that the US will need a sweetener if it is to be drawn into a global deal. That, they believe, would be a reward for rejecting Kyoto. And, understandably, vulnerable countries shout the loudest. At Bali, the world's small islands threw a 'drowning our sorrows while we drown' party. With national survival at stake, they believe that economic growth should take a back seat.

With such fundamental differences, there's a good chance that an ugly competitive dynamic will come to dominate the mindset of the world's governments. If it does, climate talks are likely to develop a nasty case of 'trade round syndrome'. In theory, countries believe that free trade is in their interest, but this goes out of the window as soon as domestic lobbies take to the streets. The result is protracted and debilitating trench warfare of the type that has left Doha stranded in intensive care. Climate negotiations may well be hit as hard, as electorates recoil in horror at the scale of the change in prospect. Expect many more 'climate elections'. Governments have fallen over much less.

But this destructive dynamic is not inevitable, especially if Europe and America keep their eyes on the sizeable benefits that a stabilised climate will bring. This prize is only on offer if greenhouse gases are kept below a critical threshold and it can only be shared. We all win, or none of us do. If governments really believe the science, as they say they do, they must know that a global deal will come eventually, even if it takes years and a natural disaster or two for it to be signed. In that case, it is strongly in their interest to start acting now as if the deal has already been agreed upon. Early movers gain a significant advantage, as their investors make low carbon bets that will prove resilient as the carbon price rises.

They also open up room for manoeuvre at a global level. We live in a world where carbon performance is becoming an increasingly important component of national competitive advantage.

A pre-emptive approach to climate stabilisation would allow Europeans and Americans to play to their strengths, without having to obliterate their differences. Europeans might be tempted by a major shift in taxation away from income and towards emissions for example – potentially providing a fillip for the EU's flagging competitiveness. They also have a huge incentive to expand and deepen their embryonic carbon market. This is an asset that more and more people are going to want to buy and sell. Americans, meanwhile, are beginning to sniff at huge opportunities for profit as the world switches to clean technology. A concerted drive to establish new low carbon industries could inspire the nation, evoking inevitable comparisons with JFK's pledge to put a man on the moon. For both sides, taking these steps at home will strengthen their hand abroad. It will also make it easier for them to accommodate the needs of developing countries, whose bottom line will continue to be equal rights to scarce carbon emissions and much greater assistance with clean growth technologies.

All in all, a race to the top should exert a growing attraction for both Europe and America. Neither will win if they choose to fight over climate. Even for Venusians and Martians, climate change need not be a zero sum game.