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OCTOBER 14, 2009

Bipartisan Consensus for Cap & Trade?

By **Scott Lincicome**

In my continuing effort to document global stances on carbon tariffs comes a **new NYT op-ed** by Senators Lindsey Graham (R-SC) and John Kerry (D-MA) proposing a bipartisan "roadmap" that they claim can lead to the eventual passage of climate change legislation in the US Senate. The Senators' suggestions merge the GOP's drilling/nuclear/clean-coal proposals and with the Democrats' emissions-caps/wind/solar proposals. The other thing that the two Senators can agree on? Carbon tariffs:

Fourth, we cannot sacrifice another job to competitors overseas. China and India are among the many countries investing heavily in clean-energy technologies that will produce millions of jobs. There is no reason we should surrender our marketplace to countries that do not accept environmental standards. For this reason, we should consider a border tax on items produced in countries that avoid these standards. This is consistent with our obligations under the World Trade Organization and creates strong incentives for other countries to adopt tough environmental protections.

WTO misstatements aside (it is **far from clear** that carbon tariffs are WTO-consistent), this passage clearly means that Senators Kerry and Graham join **ten of their colleagues** in supporting carbon tariffs in Senate climate change legislation. Their advocacy comes despite initial resistance from President Obama and the growing global revolt against the use of "border measures" as a complementary means of offsetting any competitive disadvantages that climate change initiatives would impose on US industries. So it's still far from clear that carbon tariffs will be included in any final Senate climate change bill (although the Kerry-Boxer bill provides a tepid placemaker for them). But as you'll recall, the ten Senators also in support of carbon tariffs are all Democrats, so does the Kerry-Graham op-ed signal new bi-partisan support for carbon tariffs in the US Senate and/or a shift in overall support for their use?

Well, not quite.

According to the Cato Institute's handy congressional free trade **ratings**, Senator Graham is not what you'd call a strong free trade advocate, having voted for trade barriers 13 out of 23 times in the Senate (since 2002) and a whopping 19 out of 24 times in the House (1994-2002). So we're not exactly talking about one of GOP's more principled free traders (i.e., someone who would refuse to consider carbon tariffs even if it meant securing a broader legislative goal). Moreover, Senator Graham might actually support carbon tariffs regardless of any bi-partisan energy "compromise" because his state is home to the notoriously protectionist US textiles lobby. According to a **new study** strongly supporting carbon tariffs, the Economic Policy Institute found that the US textiles industry is one of the nation's top ten carbon emitters, and that South Carolina has the second largest percentage of workers employed in these ten carbon-emitting industries. Also worth noting is that Senator Graham has received tens of thousands of dollars in campaign contributions from textile magnate (and **noted protectionist**) Roger Milliken and his company, Milliken & Co.

So Senator Graham is hardly the posterboy for anti-protectionist sentiment in the US Senate and might actually have strong political interests in supporting carbon tariffs outright. Thus, while the Kerry-Graham op-ed **might indicate** an increase in the overall chances that a Senate climate change bill will eventually pass, it cannot be said that the Senators' overt support for carbon tariffs is indicative of overall bipartisan support for the controversial measures.

So for now, we have only a minor update to the ol' carbon tariffs scorecard:

Pro carbon tariffs - Senators Lindsay Graham and John Kerry, **ten protectionist Senators**, the US House of Representatives (in Waxman-Markey), France, and Paul Krugman.

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In 2008, Scott Lincicome served as a senior trade policy adviser for Senator John McCain's Presidential campaign. He blogs at <http://lincicome.blogspot.com/>

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