Should the Green New Deal be Local or Global?

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While the impact of the COVID-19 pandemic is yet to subside, governments in major countries have put in place the largest-ever economic stimulus packages to overcome the pandemic. As of August, the U.S. is preparing an estimated US$2.3 trillion stimulus package that will amount to 13.2% of its GDP. EU leaders agreed to create €750 billion economic recovery funds (4.3% of GDP). China and Korea have established stimulus plans for 4.5% (RMB 4.6 trillion) and 14% (KRW 270 trillion) each of their respective GDP. These expansionary fiscal policies respond to a sharp drop in demand and aim to safeguard domestic industries and jobs, as well as to foster each country's new growth engine.

The most outstanding feature of these packages is the call for green stimulus and recovery. EU's Green Deal, for example, will invest 100 billion euros a year by 2030, which accounts for 30% of the stimulus package. This Green Deal targets to achieve carbon neutrality in 2050. Other countries also give impressive weights on green stimulus. China is raising its goal of non-fossil energy generation to 31%, while the Democratic Party of the U.S. is preparing to implement transition plans to a low-carbon economy in response to global climate change and fostering renewable energy industries. Korea, too, is calling its fiscal spending plans a “Korean-style Green New Deal” and emphasizing the massive expansion of fiscal spending into the environment sector.

Governments learned from history and the experience of the 2008 global financial crisis justifies such large-scale and rapid government spending. Also, today's Green New Deal policies are like déjà vu of past green growth policies undertaken by major countries. Amid the 2008 global financial crisis, the U.S. initiated a long-term renewable energy plan and the United Kingdome officially launched its own Green New Deal, while Korea also implemented large-scale infrastructure projects under the vision of generating green growth. These green stimuli left a legacy to the global economy. They enabled the creation of new eco-friendly technologies. Electric vehicle manufacturers such as Tesla now boast a higher market value than fossil-fueled automakers. Increases in global investment and technological advances realized within the private sector have brought down the price of renewable energy against fossil fuels without subsidies. The infrastructure invested in the Green New Deal of 2008 has laid the foundation for today's higher environmental goals and led to the creation of new businesses and jobs.

The 2008 Green New Deal is considered successful locally but not much success was achieved at the global level. According to the International Energy Association's estimate, the Green New Deal program launched during the 2008 economic crisis increased GDP by 0.1–0.5%, depending on the size of each country's spending. The Green New Deal programs can be deemed as a moderate success since the global GDP declined by about 3% in the crisis. However, they failed to deliver a positive environmental effect. Most policy objectives were focused on local economic recovery, not on global mitigation of climate change. As the global economy rebounded in 2010, the amount of CO_2 emissions also reached an all-time high as energy consumption increased sharply.

There are three reasons why the Green New Deal in 2020 should be more global. First, it is necessary to take into account the multilateral environment agreements established to date, especially the Paris Agreement, in the Green New Deal. The Paris Agreement requires all parties to put forward their best efforts through nationally determined contributions (NDCs) and to strengthen these efforts in the years ahead. Since NDCs are the heart of the Paris Agreement, as well as a minimum necessary effort to limit global warming, the Green New Deal needs to be tailored to achieving NDCs' goals. This also will help to achieve the net-zero emission target ahead of time.

Second, the Green New Deal can have significant impacts on global production and trade. The

EU's Green Deal relies on carbon taxes for its financial resources. In order to counter the carbon tax, domestic production processes should be decarbonized or develop new products designed with zero emission goals. Major global companies such as Apple, Google and BMW have declared their transition into 100% renewable energy during production and are demanding compliance from supply chain companies. Many other companies have followed suit and participated in this trend. In particular, companies can take advantage of these opportunities to invest in green industries and benefit from a growing global market.

Third, the Green New Deal should not violate the WTO rules in order to prevent unnecessary conflicts and disputes globally. Previous green stimulus measures, which include various forms of subsidy policies such as government funding and tax support for green industries, had been regarded as unfair trade measures and this led to disputes between different parties under the WTO. Therefore, due consideration must be made of WTO rules in the planning and implementation stage of subsidy policies subject to the Green New Deal which supports the nation's key industries.

The lessons to learn from the legacy of the Green New Deal in 2008 ahead of the implementation of each country's enormous fiscal spending plans are obvious. The Green New Deal should be global, not just local. The Paris Agreement, global production and trade, and WTO rules are closely related to the Green New Deal and tremendously affected by this stimulus package. The domestic Green New Deals will create international spillover effects and international rules and regime will assess their consequences. Therefore each country's Green New Deal should not only engage their respective local economic and social situations under the COVID-19 pandemic but also incorporate global efforts to mitigate and adapt to climate change and proliferate the greener economy. Investing in a post-carbon economy is not just a way to avoid a climate catastrophe but should be the most prosperous way forward by taking it globally. KIEP