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ANALYSIS POINTS TO ECONOMIC LOSSES IN DEVELOPING COUNTRIES FROM UN CLIMATE CHANGE POLICIES

WASHINGTON--A large number of developing nations will suffer significant economic harm from global climate change policies now under consideration by the United Nations, according to a new report released today by economist W. David Montgomery of Charles River Associates.

This reduction in economic growth will occur, Dr. Montgomery warned, even though developing countries have no obligation under the terms of current international climate negotiations.

Next week in Bonn, Germany, representatives of more than 150 countries will resume negotiations on the "Berlin Mandate" to reduce greenhouse gas emissions after the year 2000.

"Economic losses of up to 3% of Gross Domestic Product (GDP) may occur as a result of reduced international trade in 2030 depending upon which carbon abatement measure, if any, United Nations' climate negotiators adopt," Montgomery said.

Specifically, the analysis examined the effects on 80 countries of two carbon abatement policies that would require Organization for Economic Cooperation and Development (OECD) countries to return to 1990 emission levels by the year 2010 or reduce their emissions to 90% of 1990 levels and maintain those emissions through 2030.

Even though developing nations have no requirements to reduce greenhouse gases, the report concludes that "The entire world, however, is connected through international trade, and all countries will be affected if economic growth slows in the industrial countries."

The report, titled "World Economic Impacts of US Commitments to Medium Term Carbon Emissions Limits," points out that non-oil exporting developing countries would face losses that average about 10% of those affecting the OECD. "These losses would arise because OECD countries will demand fewer exports from developing countries, shifting the terms of trade against developing countries, thus reducing their gains from trade," the author said.

However, energy exporting nations will face large losses comparable to those of the OECD, according to Montgomery. Even if the energy exporting nations do not impose emissions limits, reductions in energy use by the industrial countries will depress international markets for fossil fuels.

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The report goes on to say that certain OECD countries, such as Germany and the United Kingdom, will find it easier to achieve their emissions goals than other OECD countries, and therefore "...will gain a competitive advantage over their OECD trading partners." The study also says that Canada will suffer larger losses than other OECD countries because it has a more energy-intensive economy and a large share of its GDP is generated through exports of oil and other energy-intensive goods, while the United States will be near the OECD average.

Last summer, the Clinton Administration announced its support for a legally-binding target and timetable for greenhouse gas emissions reductions. According to Montgomery, the new report is, "...an attempt to assess the economic costs of greenhouse gas abatement policies within the parameters of what the U.S. government announced a willingness to support..."

Montgomery used a sophisticated computer model, the International Impact Assessment Model (IIAM), in his analysis. Charles River Associates, a leading U.S. economics, finance and management consulting firm, created the IIAM. It is pre-programmed with data on 80 countries, and can display results for a single country with data and graphs showing how GDP, employment, real wage rates, terms of trade, greenhouse emissions and energy taxes would be affected by emission abatement requirements.

The IIAM uses state-of-the art techniques in international trade theory and general equilibrium modeling. Not intended as a forecasting tool, the IIAM is benchmarked to other forecasts that have been developed by the IPCC and other analysts. The IIAM's impact statements are consistent with results of other mainstream economic models for the same countries when the IIAM makes similar assumptions about key parameters.

Dr. Montgomery is an internationally recognized authority on the economics of global climate change. He is a Lead Author of the chapters on mitigation costs in the IPCC's Second Assessment Report. Dr. Montgomery studied at Cambridge University, has a Ph.D. in Economics from Harvard University and is Vice President of Charles River Associates.

The Global Climate Coalition is an organization of business trade associations and private companies established in 1989 to coordinate business participation in the scientific and policy debate on global climate change.

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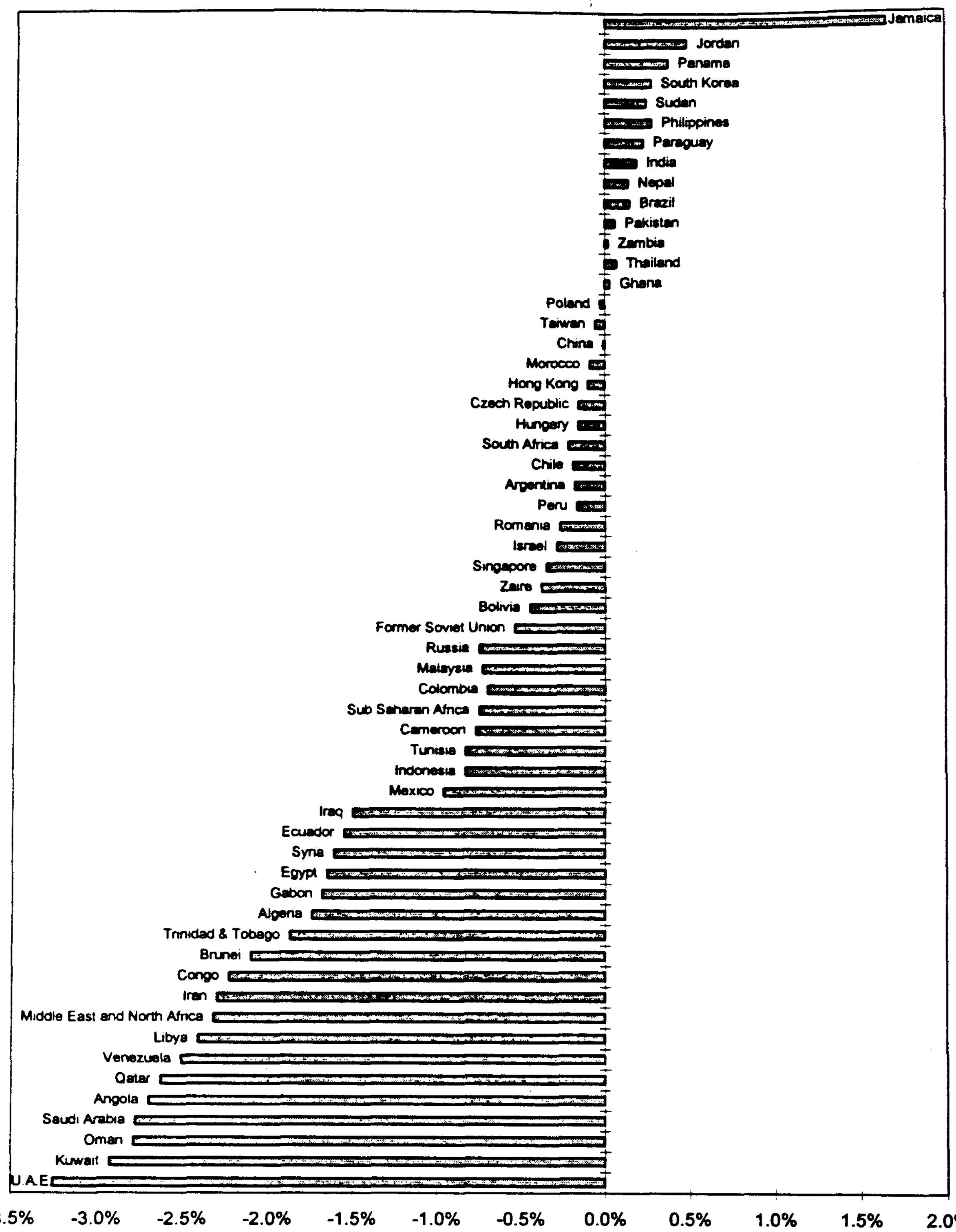
ACTIONS BY DEVELOPED COUNTRIES WILL HURT THE ECONOMIES OF DEVELOPING COUNTRIES



Reducing Emissions to 90% of 1990 Levels Will Have the Above Impact on GDP in Developing Countries

Note: *Under the Berlin Mandate, there are to be no additional commitments to reduce emissions on the part of developing countries. But the markets in the OECD to which these developing countries sell a large share of their exported goods will shrink, so that most developing countries would also be harmed by the adoption of emissions limits in the OECD. Developing countries would also have to pay more for high-priced OECD goods and services.*

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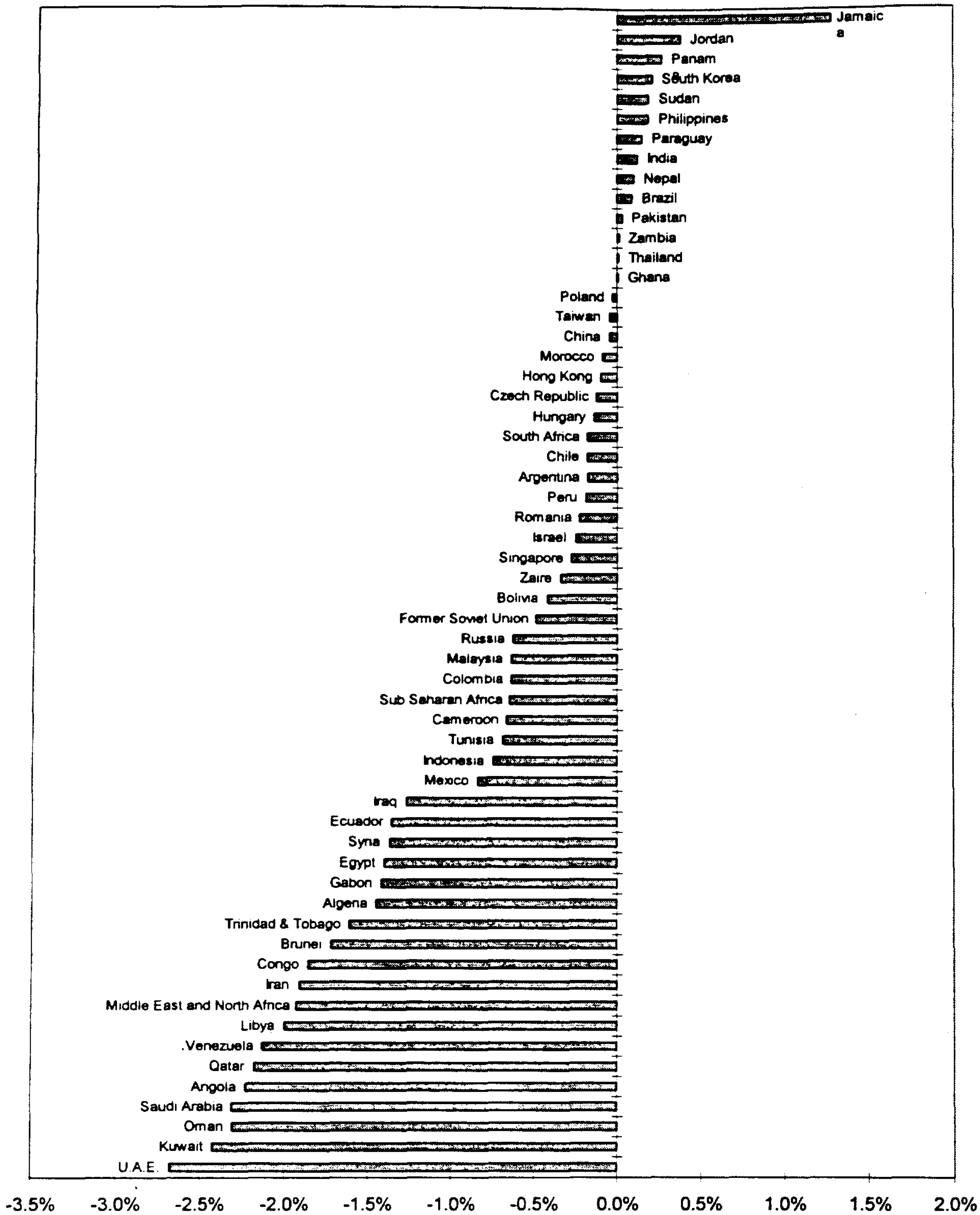

Stabilizing at 1990 Emission Levels Will Have the Above Impact On GDP in Developing Countries

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