



Rebuilding the Global Economy

A series outlining policy priorities and solutions

MEMORANDUM ON

STATE DEPARTMENT PRIORITIES FOR REBUILDING THE GLOBAL ECONOMY

To: The Assistant Secretaries of State for the Bureaus of Energy Resources and Oceans and International Environmental and Scientific Affairs

From: Cullen Hendrix

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Background: The United States must reassume its position of global leadership in addressing climate change, ensuring sustainable energy security at home and abroad, governing the world's shared oceans, and helping fragile states address the challenges of global environmental change. The State Department can lead the way on these issues in four concrete ways:

PRIORITY 1: Rejoin and revitalize the Paris Climate Agreement

In 2019, the Trump administration formally announced the United States would withdraw from the 2015 Paris Agreement under the UN Framework Convention on Climate Change. This withdrawal badly damaged the United States' soft power abroad and actively discouraged the transition to renewable energy systems at home and the job creation and export potential that would come therewith. Rejoining the most recent comprehensive global compact to combat climate change would help facilitate that transition and reestablish US leadership in multilateral efforts to combat and adapt to climate change. But the United States should go further, using its diplomatic leverage and technical assistance to help developing and middle-income economies meet their Nationally Determined Contributions with technical assistance, technology transfer, and financing.

PRIORITY 2: Achieve sustainable energy security

As a matter of both national security and environmental responsibility, the United States must transition to a sustainable energy security that promotes decarbonization at home and abroad, further integrates the North American energy market, and promotes good natural resource governance. Doing so would consist of the following steps:

ACTIONABLE TO-DO LIST:

- **Press for decarbonization targets in future trade negotiations.** Trade negotiations have grown longer and more complex over time, as they have moved beyond tariff barriers to address a host of regulatory issues related to market access, harmonization of standards, labor rights, environmental issues, intellectual property, and health and safety. To this list, the State Department should add successful progress toward Nationally Determined Contribution targets as an element of future trade negotiations.

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- **Promote the adoption of a carbon border tax adjustment on energy consumption's contribution to imported goods and services.** Broader carbon taxes, especially progressive ones graduated by partner income level, may greatly perverse incentives to further concentrate carbon-intensive production methods in developing countries and discourage carbon leapfrogging in their energy systems. By imposing a border adjustment tax on the carbon intensity of the energy component of finished products, rather than the carbon intensity of the entire product, the United States can encourage partners to decarbonize their energy systems.
- **Further North American energy grid integration.** Despite significant trade integration and vast renewable potential, the North American electricity grid and market is comparatively lightly integrated. Prior to 2018, prospects were looking positive. However, under President Andrés Manuel López Obrador, Mexico is winding back power company privatizations and threatening the kind of competition that would facilitate broader two-way renewable energy trade. The current administration's focus on trade-related issues of particular relevance to swing states has meant that this issue has not received front-burner attention. The State Department should pressure regional partners to increase two-way energy trade and integration, and reinstate energy market liberalizations in Mexico.
- **Reengage and reinforce the Extractive Industries Transparency Initiative (EITI).** The EITI is a groundbreaking multistakeholder initiative to prevent corruption, conflict, human rights violations, and environmental degradation while promoting good governance around extractive industries. The United States had been working toward compliance since 2012, until the Trump administration backed away from the initiative in 2017, ending meetings with industry and stakeholder groups domestically and stepping back from technical assistance that had been committed to Myanmar in 2013 at the G8.¹ These acts are not only inconsistent with broader whole-of-government efforts to promote good governance abroad but may actually undermine the competitiveness of US firms. As transparency becomes a broader norm, working with more transparent companies translates to more sustainable and peaceful domestic politics in host communities. If US companies are perceived as less transparent than their Europe-, Canada- and Australia-based counterparts, they may lose business. Re-dedicating the US government to EITI will be a good first step, but it can and will need to go further and press for increasing transparency in the production and trade of the 35 critical minerals identified by the [United States Geological Survey](#) in 2018.

PRIORITY 3: Reassert leadership in the maritime domain

In parallel with efforts to revitalize stewardship of the atmospheric commons, the United States should also rededicate its efforts to promoting effective governance of the high seas. This would consist of four initiatives:

ACTIONABLE TO-DO LIST:

- **Renew the push for ratification of the United Nations Convention for the Law of the Sea (UNCLOS).** Under former Secretary Hillary Clinton, the State Department pressed hard for the United States to ratify this convention, which US negotiators had a

¹ The G8 consisted of the highly industrialized countries of Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States. Russia was removed in 2014, and the group is now known as the G7.

large role in creating. Ratifying UNCLOS would give the United States legal precedent to pursue claims on the US continental shelf, expand offshore mineral exploration activities, and establish (or prevent the establishment of) legal precedents that might harm the competitiveness of US firms and preclude investment in US maritime “territory.”

- **Strengthen the Agreement on Port State Measures (PSMA).** The PSMA is the first binding international agreement to combat illegal, unreported, and unregulated (IUU) fishing, which harms the US fishing industry, undermines sustainable fisheries management, and is even implicated in human rights abuses and narcotics smuggling. Rather than focusing US efforts on ensuring reciprocal trade in seafood products, the State Department should, in partnership with the National Oceanic and Atmospheric Administration, press more trading partners to join the agreement.
- **Resolve disputes with allies over the Arctic.** Increasing Russian power projection into the Arctic domain will require a unified response from the United States and its allies, most principally Canada, in the region. Resolving the languishing disputes with Canada over the Beaufort Sea and legal demarcation of the Northwest Passage will allow the two partners to coordinate more effectively around shared economic and national security interests in the polar region.
- **Expand extent and capacity of regional fisheries management organizations (RFMOs).** The United States is a major player in most of the RFMOs that facilitate cooperation and catch targets for many of the world’s most commercially important fisheries. However, these institutions need to be reformed to include currently overlooked species like sharks and deep-sea fish, as well as be reformed to include better dispute resolution mechanisms to prevent fisheries conflicts that may spark broader political and military confrontations.

PRIORITY 4: Address environmental security and state fragility

As the key agency responsible for implementing the Global Fragility Act of 2019, the State Department is tasked with advancing diplomatic and political efforts, drafting and executing strategy implementation, and guiding security efforts to address the root causes of violence and state fragility. While these efforts are headed by the Bureau of Conflict and Stabilization Operations, the increasing role of environmental factors in armed conflicts—and the specter of even larger impacts under climate change—implies a need to integrate concerns related to energy, agriculture, and the environment into efforts to build partner-country resilience. Though the five focus countries of the act have yet to be identified, they will most likely be ones where environmental governance is poor to nonexistent, and competition over access to or control of resources is a major source of instability.

ACTIONABLE TO-DO LIST:

- **Require State Department fragility assessments to assess environmental security threats, both those emanating from first-order effects of the changing natural environment and those emanating from the second-order effects of climate change adaptation- and mitigation-related efforts.** The effects of the latter will have particularly important security implications for major legacy hydrocarbon producers and countries that invested heavily in energy exploration and infrastructure during the 21st century commodity boom (2002–14), and countries with large, exportable endowments of “transition metals,” like aluminum, copper, rare earths, lithium, and

cobalt, that will underpin transitions to more sustainable energy systems. Doing so would be a best practice that should be adopted across State, the Department of Defense, and the United States Agency for International Development.

- **Regional combatant commands should develop environmental security priorities and game plan specific scenarios.** Because many threats associated with climate change and the environment are both complex and actorless in nature, conventional security approaches based around actor deterrence and/or compellence are likely to be insufficient. Developing priorities around and game planning for complex, climate-related natural disaster-driven emergencies should be a priority across the whole foreign policy community.