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VALERIE MORRIS, CNNfn ANCHOR, STREET SWEEP: Day two of a-week-and-a-half long United Nations' Conference on Global Warming, and already, the dividing lines are pretty clear. The United States, Japan and the European Union are split over restrictions on greenhouse gas emissions. The U.S. is pushing for less ambitious cutbacks and for greater participation in developing countries. JOHN DEFTERIOS, CNNfn ANCHOR, STREET SWEEP: Our next guest is about to enter the parade (ph). Graciela Chichilinsky chairs the United Nations' Educational, Scientific and Cultural Organization. She's also a professor at Columbia University. She's here to discuss her proposal for an International Bank for Environmental Settlements.

It's nice to have you on CNNfn. Welcome to you.

GRACIELA CHICHILINSKY, CHAIRMAN, UNESCO: Thank you.

DEFTERIOS: This is fairly complicated so let's see if we can break this down first. There is the idea of swapping emissions through permits, but first thing's first. We have to get the United States, the European Union and Japan, along with the other countries, to agree to a target to rollback emissions either to 1990-levels or much further than that. What do you see coming out of the summit?

DEFTERIOS: This is a country-by-country basis. So, let's take Brazil, for example. Brazil would have to reduce XYZ by say, 2010. And how it gets there is up to it? - and it can swap emission permits with developed nations to get there, if it needs to?

CHICHILINSKY: No. The target could be, not the reduction, but it could be slower growth. Don't forget that countries such as Brazil, are very weighed down in terms of emission with respect to the industrialized countries. It's 10 to 1 ratio, per person. So, they have a long way to go before they have to curtail emissions.

The limit could be that the countries will not grow more than a certain amount, and that's a target. But after that's taken into consideration and agreed, the method of swapping permits kicks into play. And the International Bank for Environment Settlements that I proposed, that is now on-the-table in Kyoto. It would be a meganist (ph) in the process, a fair process, that would have two aspects.

One, the market aspect which is very important within the U.S. proposal and it's the Principle of Efficiency that the nations of the world endorse. And the other one, a multilateral organization of a unique type, a new global infrastructure if you wish, that would allow the trading in an orderly fashion insuring fair play and a level playing field for all the nations.

MORRIS: Since this is your creation, you proposed it and you developed it, and in-light of what President Clinton has said and then Vice President Al Gore who will be his representative there: What is your feeling personally? Are you optimistic that going there, even though it is the beginning of the talks and the beginning of hopefully, a good assessment globally - are you optimistic that you'll walk away with more than just promises? CHICHILINSKY: I am optimistic that the process is starting, and I'll tell you why. The United States, on October 22, through President Clinton, proposed a trading of nation permits. The bank that they proposed that has now been officially suggested by the developing countries and China, through Brazil on the first day, also includes the trading. So they are not too far. The only question is to agreed the multilateral part of this institution - how will it be governed? - how will it be funded? - how will it operate? And I have blueprints that are pretty flexible. If the Congress can negotiate the beginning of a process, then this can start taking place. But I admit that we need an international commission to study the political aspect; a technical commission to study the technical aspects; all of them to report to the Kramer (ph) Convention and to advance this process over the next months. I don't think this is the end of a road. This is just the beginning.

DEFTERIOS: Very quickly, if you can in 15 seconds. There's some criticism that the Treasury Department and Commerce Department really won out over the EPA and got the president's ear, and that's why the U.S. watered down their proposal. Do you agree with that or disagree?

CHICHILINSKY: I have a lot of hope that the U.S. Department of the Treasury has an enlightened position and is going to come up with very positive contributions. I don't know that anybody is perfect in this, and everybody has to have a position. Don't forget that the United States is the biggest emitter in the world. They have a responsibility to asbestos community as well, and to its Congress.

CHICHILINSKY: I see a compromise between the European position, which is more ambitious and requires approximately a 7.5- point decrease by the year 2000 from the 1990 levels, and the American position which is less ambitious and seeks to reach the 1990 level somewhere between the year 2008 and 2012. But if you think about it, they're not too far apart.

MORRIS: But also, if we look at it - few nations have actually made the reductions and so, as we go forward, how is that going to happen? I mean, is it going to have to be legally mandated in order for that to really occur?

CHICHILINSKY: It will be an agreement among the nations and in fact, in the Berlin Conference of the parties, the Congress of that/their (ph) part of this convention, including the United States, agreed to come up with internationally-agreed targets for the year 2000, 2010, 2020. That agreement is already on-the-table. It's only the actual numbers that are being discussed, and as I said, the difference is not that far, right now.

DEFTERIOS: You say that what the U.S. said yesterday, it was quite willing to walk away from the bargaining table if the European Union wasn't going to give ground. So we could basically walk away and not having an agreement at all or do you think it's just a bargaining position by the United States?

CHICHILINSKY: I think, my opinion is that there will be some agreement, some positive step forward reached in Kyoto this time. I am optimistic but I think it's only going to be the beginning of the process and not the end. MORRIS: So this is a series of international meetings, in a sense, to assess and to try and find some common ground despite the fact, as John just mentioned, that the United States is pretty much drawing a hard line on it and other nations have not yet complied. So this is the beginning of a process rather than going to Kyoto, as you are doing right after this program, and reaching a conclusion? CHICHILINSKY: This is the beginning of a process, indeed. However, there have been several meetings characterized by a lot of talk and very little action since the Rio Conference in 1992. So, the time has come to make a definitive move here and I think some move will be made. If nothing else, than to agree on ongoing orderly process.

The United States would like the developing countries to enter into some commitments and the developing countries, I believe, at some point want to end there this whole negotiation, up to now, they're not part of them. Provided that there is an overall level playing field that can be agreed on.

So really, it's a question of finding out the mutually agreeable process.

DEFTERIOS: I think we should talk about your International Bank for Environmental Settlements because this creates a mechanism for the developing nations to get involved. They can swap emission permits with the developing nations and the developed nations to bring around, or bring down, the overall global emissions right now. Exactly how would it work?

CHICHILINSKY: First of all, we need some agreement among the parties, either on targets or on target brackets. For example, the reductions would occur over a period of 10 years in which the countries would have flexibility how they distribute it. That's the first step, and that will be what already has been agreed in Berlin and what should be essentially, implemented here in Kyoto.

But, in a presentation I made to the House of Representatives. I found - people are willing to start thinking in these terms, globally.

DEFTERIOS: So that's a start.

CHICHILINSKY: It's a start.

DEFTERIOS: OK. Thanks very much for joining us. Graciela Chichilinsky, she's the director at the Unesco Chair of Mathematics and Economics at Columbia University with her proposal of the International Bank for Environmental Settlements. Thanks for the great description, by the way.

CHICHILINSKY: Thank you.

MORRIS: And safe travel to Kyoto.

CHICHILINSKY: Thanks.