

# Environment, Labor and Trade

By STEVE CHARNOVITZ

Last year, the Clinton administration asked Congress to provide new trade negotiating authority to replace authorization that had expired in December 1993. But it also asked for authority to consider labor and environmental standards when negotiating trade agreements. That request ran into a volley of criticism and eventually was withdrawn.

Many Republicans and business groups felt that labor and environmental standards should be delinked from trade. House Ways and Means Committee Chairman Bill Archer, for example, declared that any new trade bill would include no "authority to monkey around with labor standards and environmental standards around the world."

The U.S. business community and other advocates of trade liberalization should rethink their stance on these nettlesome issues.

The potential interactions between trade and ecosystems are well established. Three years ago, at the Rio Conference, the world community agreed to "make international trade and environment policies mutually supportive in favor of sustainable development."

If that objective is still valid, then how can it be accomplished if policy-makers working on trade and environment are ordered not to "monkey around" with each other?

A link between trade agreements and environmental and labor standards also is needed to broaden the domestic constituency for international agreements. For example, en-

vironmentalist support proved critical for getting the Nafta through the Congress.

Although environmental and labor issues often are clumped together, there are important differences between them. A nation's environmental policies can have direct physical spillovers on other nations. Therefore, regional or international negotiations may be necessary to achieve efficient outcomes.

In contrast, there is little spillover across borders as a result of national labor policies. But there may be economic spillovers if the laws in one country affect markets in another. This rationale provides justification for efforts to promote cooperation on labor policies, just as it justifies efforts to promote cooperation on trade and competition policies.

If Congress is to renew trade authority, it will have to address three main issues. The first is whether trade legislation should include agreements on environmental standards, such as guidelines for emitted pollution or natural resource use.

Environmental policy-making is moving toward a life cycle and ecosystem approach that will encompass more than simple product standards. Future trade disputes are inevitable over issues like eco-labeling and border adjustments for ecotaxes. Thus, a broad negotiating mandate is required.

A second issue concerns "fast track," which is a rule enabling Congress to approve and implement a trade agreement without amendments.

House Speaker Newt Gingrich and several leading House Republicans have argued that fast track should not be available to change U.S. environmental or labor laws. They are right. Such matters are too sensitive to be considered by Congress in unamendable bills. Few observers of congressional consideration of Nafta and the Uruguay Round agreement are aware that U.S. health laws were altered by the implementing legislation written by the Clinton administration.

The third controversial issue regards trade sanctions. Many Republicans and the business community are strongly opposed to new regimes that would permit trade sanctions to enforce environmental or labor commitments. There was a grudging acquiescence to such sanctions in the Nafta side agreements, but now the attitude is "never again."

Trade sanctions are far from an ideal tool, due to their boomerang effect on the country imposing them. Nevertheless, in some circumstances they are the best leverage available.

Nafta and the Uruguay Round agreement broke new ground in legitimizing the use of trade sanctions to foster compliance with dispute settlement decisions. That was a constructive step. It would be wrong for U.S. trade legislation to rule out any environment-related trade sanctions in a bilateral or international agreement.

The subtext to the debate over trade sanctions is what to do about

Chile, which is an eager candidate for Nafta membership. The Clinton administration wants Chile to join the Nafta side agreements, and Chile is willing to do so. But many Republicans are wary of setting a precedent for future trade talks. As a result, the negotiations with Chile have moved slowly.

The Nafta side agreements were not too coherent to start with. Adding faraway Chile to them would sow more confusion. Nevertheless, domestic politics in Canada and Mexico seem to require that Chile pay the same "price" for joining the Nafta (i.e. the side agreements) that Canada and Mexico had to pay.

Instead of waiting for Congress to dither over whether Chile should join the side agreements, the administration should take decisive action. The three Nafta parties should invite Chile to join the side agreements now. Since the side agreements have an accession clause, there is no need for congressional approval. Many in the pro-trade camp would support this gambit if it would open the Nafta door to Chile.

In summary, concerns about the effect of trade liberalization on workers and the environment are not going to evaporate. A narrow extension of fast track negotiating authority that excludes these issues might be better than no fast track at all. But it would be a signal to the rest of the world that American leadership and altruism are fading.

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