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Fast Track: Fix it or Nix it

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Last November, by a single vote, the House of Representatives passed a fast track bill that gives the Bush administration free reign to negotiate trade deals that give short shrift to the environment. With critical negotiations looming for the World Trade Organization and a hemispheric free-trade pact, the Senate should correct this when considering its version of fast track this month.

The House bill is guided by the tired free-trade mantra on the environment: Free trade will lead to rising incomes—triggering citizen demands for a cleaner environment and increased overseas investment—which will mean greater use of clean technologies in developing countries.

The Senate doesn't need to travel far to see how misguided this mantra can be. Recent statistics from Mexico's National Institute for Statistics, Geography and Information Systems (INEGI) document how environmental degradation has taken a big bite out of the benefits of trade-led economic growth in Mexico—the very nation that the Bush administration holds up as free trade's success story.

According to INEGI's figures, every major environmental problem has worsened since Mexico began liberalizing its trade policies in the 1980s. The institute estimates, for instance, that soil erosion, solid waste generation, and air pollution have increased by 63% since 1988. What's more, INEGI reports the costs of this environmental degradation as averaging $36 billion a year during the 1988-1999 period. In 1999 alone, the price tag came in at a whopping $47 billion. This destruction overwhelms Mexico's economic growth, which has been just 2.5% annually over the same period, or $14 billion per year. At the same time, since the North American Free Trade Agreement (NAFTA) went into effect, real spending by the Mexican government on environmental protection has declined by $200 million, according to INEGI figures.

A major factor underlying this stark reality: The proper mechanisms were not put in place to help Mexico manage its economic growth in an environmentally sustainable manner. The environmental "side" institutions created by NAFTA were not equipped to come to the rescue. Their meager budgets are dwarfed by the $47 billion price tag of environmental degradation in Mexico.

One lesson clearly stands out: The Free Trade Area of the Americas (FTAA) that the Bush administration seeks with the proposed fast-track authority is a major step backward for U.S. trade policy on the environment. Unlike the recent U.S.-Jordan Free Trade Agreement—which incorporates environmental provisions in the heart of the trade agreement itself—the draft FTAA lacks even the limited environmental provisions that were included in NAFTA.

The FTAA text also includes controversial NAFTA-like investment provisions that allow private foreign investors to sue governments for domestic environmental regulations that are deemed "tantamount to expropriation." Again, here Mexico serves as an example for what awaits the Americas under the FTAA. Under NAFTA's investment rules, Mexico was forced to pay the U.S.-based Metalclad corporation $16.7 million because local elected authorities refused to allow the company to build a toxic waste dump in an environmentally sensitive location.

All too often, the Senate's environmental leaders leave their environmental hats at the door when it comes to trade. Senators like Lincoln Chafee, John Kerry, Jim Jeffords, Joe Leiberman, and Paul Wellstone should lead a charge to bring a greener fast track bill to the Senate floor. No self-proclaimed environmentalist should support a trade bill that fails to place the environment at the heart of trade agreements, create mechanisms for the U.S. and its trading partners to steer trade-led economic growth in a sustainable manner, and outlaw the ability of foreign investors to sue trading partners over environmental regulations.

This article was produced by the Americas Program at the Interhemispheric Resource Center (IRC, online at www.irc-online.org), a nonprofit think tank that focuses on U.S. foreign policy. Kevin Gallagher, a research associate at the Global Development & Environment Institute at the Fletcher School of Law and Diplomacy at Tufts University, is a contract analyst for the IRC.