



Trade and the Environment
Statement **before** the
US Trade Deficit Review Commission
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On behalf of the more than 500,000 members of the Sierra Club, I would like to thank the Commission for the opportunity to speak today about **the impacts** of international trade policy on the environment.

In the wake of the collapse of the Soviet Union, trade policy has moved to the center of American foreign policy. The engineers of that trade policy tend to agree that we need international rules to eliminate tariffs and to sweep aside non-tariff barriers. Their views are reflected in the design of the North American Free Trade Agreement and in the World Trade Organization.

Much was promised from liberalized trade under the WTO and NAFTA. Less has been delivered.

First, a rules-based trading system was supposed to spur growth. The jury is still out.

Second, a rules-based trading system was supposed to discourage violent conflict -- even war -- between nations engaged in **peaceful** commerce. Again, the jury is out. Although, I would note that the world economy was more integrated at the start of this century than it is now. Integration didn't prevent World War I.

Third, the WTO and NAFTA were supposed to help open markets for US exports and ease the trade deficit. We are still waiting.

While, the jury is out on whether the WTO and NAFTA have **fulfilled** their intended purposes, evidence is growing that these institutions have had a variety of other unintended negative consequences.

First, in the effort to discipline so-called non-tariff trade barriers, hard-won environmental standards have been undermined.

For instance, after an adverse ruling by a WTO panel, the US State Department weakened our standards for protecting sea turtles from drowning in shrimp nets. Environmentalists believe that the new regulations will be ineffective and cannot be enforced. Sea turtles are a remarkable animal that have shared the earth with the dinosaurs. Now, all seven species are in danger of extinction.

As the WTO becomes institutionalized and grows in power over time, many environmentalists are concerned that this and other recent rulings offer just a taste of what will become a wider assault on environmental standards.

Second, with establishment of the WTO and NAFTA trading interests acquired new powers to thwart environmental progress around the world.

For instance, at the urging of the US electronics industry, the Clinton administration intervened to weaken proposed new standards in Europe for reducing toxic waste from computers. The administration charges that the standards violate WTO rules. Yet in taking a position on this important matter, the administration did not choose to first consult with either the environmental community or the wider public.

The so-called "chilling effect" of trade rules has undermined a staggering variety of health and environmental standards at home and abroad, including food safety, auto fuel economy, and invasive pest protections. We are deeply concerned that current trade rules will prevent adoption of the standards needed to meet the emerging environmental challenges of the 21st century.

Third, as trade barriers fall, companies move operations to countries where labor is cheap with full knowledge that their products can be exported to the rich consumers back home.

Globally, foreign investment in factories, mines and other physical assets is growing at twice the rate of trade. More and more of this investment is going into poor countries. For instance, since NAFTA took effect in 1994, the number of foreign-owned factories making cars, computers and other products across the border in Mexico has grown from 2,000 to 3,000.

Such foreign investment can give poor countries a badly needed economic boost. But without proper controls, industrial pollution will increase. For instance, along Mexico's border with the United States less than one in ten companies even bother to report their hazardous wastes as required by law

Some say that economic growth in poor countries will eventually create public demand to clean up pollution. Meanwhile, toxic dumping in poor countries continues unabated because governments fear that tough law enforcement will drive away the footloose foreign investors.

Forth, in establishing NAFTA and the WTO, we gave unaccountable international tribunals the power to second-guess and to penalize any act of our constitutional government that violates a rather broad set of trade principles. NAFTA and the WTO go substantially beyond any previous international treaties in constraining the sovereign powers of our government.

While I sympathize with the desire of trading interests for remedies when they believe their rights have been violated, I believe that a shift of authority from national to international institutions on the scale represented by these trade agreements was a serious mistake. NAFTA and the WTO

compromise the authority of government to a degree that is incompatible with our constitutional tradition. As the truth about these agreements reaches the public, I believe that we could see a public outcry against trade policy that could weaken not only the rules-based trading system but undermine hopes for a variety of other badly needed international agreements.

CONCLUSIONS

On Nov. 30, 1999, President Clinton will host thousands of trade-officials from more than 150 countries in Seattle for a summit of the World Trade Organization (WTO) -- the biggest international trade meeting ever on American soil. Negotiators plan to launch sweeping new trade talks that could increase the WTO's environmental impacts. Citizen groups, instead, will challenge the Clinton administration to take executive action to make trade clean, green, and fair. In particular, the Sierra Club is urging the administration to take executive action to:

- * fix current trade rules so that they no longer undermine environmental and health standards. Such fixes, we believe, can be accomplished through an executive agreement that clarifies some of the more troubling features in WTO rules. For instance, we would hope that the WTO agreement governing environmental health and safety could recognize the right of countries to take protective action when science offers only partial information on emerging risks;
- * open the WTO to citizen participation. Again, an international executive agreement should open WTO dispute settlement to affected public interests; and
- * conduct a thorough, objective, and participatory environmental assessment of the WTO. Such an assessment is needed both nationally and internationally. We believe that a national environmental assessment should be conducted in accordance with the National Environmental Policy Act.

In addition, I would respectfully offer two observations to the Commission on the trade deficit that is your central concern.

First, the trade deficit is much more than an economic problem. The deficit is draining the life blood from many of our working communities. In tearing at our communities, it is tearing at the foundation of American democracy itself. Foreign borrowing can balance our accounts for a time, but by running massive trade deficits year after year, America is accumulating a "social deficit" in shattered communities and a corroded civic life that can never be repaid.

Second, beware of putting too much stock in the WTO to solve our trade deficit problem. The American public will oppose market opening at the expense of the environment and public health. I believe they will also oppose market opening at the expense of democratic governance.

Appendix

Impacts of Trade on the Environment

On Nov. 30, 1999, President Clinton will host thousands of trade officials from more than 150 countries in Seattle for a summit of the World Trade Organization (WTO) -- the biggest international trade meeting ever on American soil. Negotiators plan to launch sweeping new trade talks that could have sweeping impacts on our environment. Citizen groups are challenging the Clinton administration instead to take executive action to make trade clean, green, and fair.

This appendix gives examples of a number of environmental impacts of international trade rules

I. Environmental Health and Safety

Since it was established in 1995, the World Trade Organization (WTO) has promoted international trade at the expense of a safe and clean environment. The WTO could acquire more powers that undermine environmental health and safety standards at its upcoming summit in Seattle.

Clean Air

The World Trade Organization has already proven that it is a threat to clean air. In January 1996, a WTO dispute panel ruled against standards under the US Clean Air Act designed to clean up gasoline and reduce smog pollution from cars and trucks. To comply with the decision, the US Environmental Protection Agency (EPA) issued new standards for the program that even it admitted would "...result...in dirtier U.S. air."

The WTO ruled against the clean gasoline program after Venezuela and Brazil, which produce dirtier gasoline, complained that the standards violated their trade rights. The WTO panel declared that goods should not be subjected "to variable treatment according to extraneous factors." The Sierra Club believes that air pollution is under no circumstances an "extraneous factor."

Investors are Protected

The WTO summit may also be used to give industry greater assurances that environmental standards won't harm their profits, The European Union wants to use the summit to launch talks that could insert new investor rights into the WTO. The Clinton administration may go along with this risky idea in exchange for concessions on other trade priorities.

An investor rights agreement in the WTO could stifle environmental progress worldwide as corporations sue governments for damages any time an environmental law hurts their bottom line. Existing investor protections in trade agreements have already raised serious concerns.

A Canadian corporation filed suit against the United States for nearly \$1 billion in damages last spring after California banned a cancer-causing gasoline additive. The additive, MTBE, is leaking from fuel tanks and polluting the state's drinking water. Methanex Corporation, which makes a key ingredient in MTBE, is demanding taxpayer compensation because the value of its stock took a dip after California put the ban in place.

The complaint will be judged by an international investors' tribunal under the North American Free Trade Agreement (NAFTA). If Methanex wins, the United States could be forced to pay compensation. To prevent such an embarrassing outcome, California Gov. Gray Davis could be compelled to weaken the standards.

in a strikingly similar case, Ethyl Corporation of Virginia sued Canada under these same NAFTA provisions for banning a gasoline additive that reduces engine knock but is also suspected of poisoning the nervous system. Rather than face huge financial penalties, Canada rolled back its law.

These cases could establish a dangerous precedent in which taxpayers are forced to pay foreign corporations for their right to a clean environment, or avoid making laws that prevent pollution. If similar investor rights are included in the WTO, things could get much worse.

Electronics and Toxic Waste

In 1999, the Clinton administration threatened to use the WTO to challenge proposed new European standards for reducing toxic pollution from computers. Computer manufacturing generates enormous amounts of toxic gases and heavy metals. When computers are junked, tons of hazardous materials and recyclable plastic are discarded into the environment.

To reduce pollution from computers, the proposed European standards would reduce the amount of toxic materials used in the manufacture of computers, require recycled plastic content in the computer's shell, and require manufacturers to recycle junked computers rather than throw them into a landfill.

Adoption of the new standards in Europe would help protect America's environment because US companies would have to reduce their use of toxic materials in order to sell computers in Europe. Instead, the administration charged that the standards were a trade barrier that would hurt US computer companies.

Silicon Valley and other high-tech centers are now toxic hot spots because of pollution from the computer industry. Instead of attacking Europe's effort to solve the problem of computer waste, we should use our trade partnership to develop joint solutions. As President Clinton said, "we should be leveling up, not leveling down."

Pollution at the Border

In 1995, 27 families in Brownsville, Texas sued the US-owned factories operating just across the

border in Mexico for illegal toxic air pollution. These families had suffered the heartbreak of babies born with severe birth defects -- including malformed brains and crippling spinal conditions -- possibly due to air pollution that had drifted across the border.

Despite public assurances by the companies that they obeyed Mexican and US pollution control laws, the suit uncovered serious violations. Internal documents from one automaker revealed emissions of air toxics known to cause birth defects that would "not [have been] allowed in Dayton."

The polluted US-Mexico border zone illustrates a global problem caused by unregulated free trade. As trade barriers fall, companies *move* operations to countries where labor is cheap with full knowledge that their products can be exported to the rich consumers back home.

Globally, foreign investment in factories, mines and other physical assets is growing at twice the rate of trade. More and more of this investment is going into poor countries. For instance, since NAFTA took effect in 1994, the number of foreign-owned factories making cars, computers and other products across the border in Mexico has grown from 2,000 to 3,000.

Such foreign investment can give poor countries a badly needed economic boost. But without proper controls, industrial pollution will increase. For instance, along Mexico's border with the United States less than *one* in ten companies even bother to report their hazardous wastes as required by law.

Some say that economic growth will eventually create public demand to clean up pollution. Meanwhile, toxic dumping in poor countries continues unabated because governments fear that tough law enforcement will drive away the footloose foreign investors.

II. **Food Safety**

One of President Clinton's top goals in Seattle is to increase trade in farm products. Unfortunately, WTO policies have already increased food trade at the expense of food safety.

Imports Up, Safety Down

America is importing more and more of its food. Since the 1980s, food imports have more than doubled, but safety inspections at our borders have fallen. For instance, inspections of fruit and vegetable have been cut from 8 percent to less than 2 percent of shipments. As a result, we face a growing number of disease outbreaks from imported food under the WTO and NAFTA:

- * More than 300 Michigan school children were stricken with hepatitis A after eating strawberries imported from Mexico.
- * Thousands suffered severe diarrhea and vomiting in 1997 and 1998 after eating tainted raspberries from Guatemala.
- * In early 1999, thirteen Floridians contracted typhoid fever after drinking imported fruit juice.

“[W]e’ve got a lot of fruits and vegetables imported from countries where we’re warned not to eat them [raw] or to drink the water. The question is, why is it safe to eat when its imported?” says Caroline Smith DeWaal of the Center for Science in the Public Interest.

Standards Weakened

To increase international food trade, the WTO pressures countries to lower their strong food safety standards to comply with weaker international standards. For instance, the WTO recently ordered Europe to lift its ban on American beef treated with growth hormones. Some scientists believe that hormone residues in beef contribute to rising breast cancer rates. So European regulators banned hormone-treated beef rather than expose large numbers of people to a potential health risk.

Under WTO rules, however, food safety officials must prove conclusively that a food product is risky before they take action to protect the public. They can no longer take precautionary measures based on preliminary scientific evidence to prevent an emerging risk.

The US challenge to the European standard sets a dangerous precedent that could one day force the US to lower its own food safety standards. For instance, to protect children who are more vulnerable to pesticides in their food than adults, the US has set very stringent standards for pesticide residues on fresh fruits and vegetables

Nevertheless, recently adopted international standards for pesticide residues in fruits and vegetables are much weaker than the US standards and ignore the potential health impacts on children. Our stronger standards could now be successfully challenged in the WTO as an illegal trade barrier.

looking the other Way

To increase food trade flows, the WTO pressures importing countries to accept the safety certifications of exporters in place of their own governments’ standards. So products can now be labeled as if they meet US standards, even if they do not. There is no guarantee that the foreign safety systems are up to the job of protecting our families’ health and safety.

For instance, the US Department of Agriculture recently declared that Australia’s new beef inspection system is “equivalent” to the US system. However, the Australian system is much weaker because it relies on the beef processing industry to conduct inspections of its own facilities. In contrast, the US system requires government inspection.

After the Australian beef inspection system took effect, salmonella poisonings there jumped sharply. That same meat is now being sold on US grocery store shelves and is indistinguishable from American beef.

Genetically Modified Foods

There is concern that the Clinton Administration will use the Seattle summit to launch new talks that would require countries to accept bio-engineered food and seeds. Bio-engineering splices genes from one organism into the genetic make-up of another, creating completely new organisms that could never exist in nature.

Genetically modified crops -- some including natural pesticides built into their makeup -- are now widely grown in the United States. But the federal government treats them as normal food products and does not require testing before their introduction into the environment or food supply.

Many Americans woke up to the potential impacts of genetic engineering when pollen from genetically modified corn was found to kill monarch butterflies. But the potential risks extend to food safety. Scientific studies show that some genetically modified foods may be toxic, others may trigger allergic reactions, and others can provoke resistance to life-saving antibiotics.

Clearly, we should not promote more trade in genetically modified foods until we are sure they are safe.

III. Forests

President Clinton plans to join other world leaders in signing a "free logging" agreement at the Seattle summit. The agreement could increase clearcut logging in some of the world's most fragile ancient forests to benefit a handful of giant, transnational timber corporations.

The "free logging" agreement would eliminate tariffs -- or border taxes -- on forest products worldwide. Prices for forest products will drop, so consumption and logging will rise.

As demand for wood grows in the United States, we jeopardize the world's last, great ancient forests. For instance, British Columbia, Canada, home to much of the world's last remaining ancient temperate rainforest, now exports half of its timber to the United States. The "free logging" agreement would increase the pace of forest destruction in British Columbia, and around the world, just to supply the US market.

Currently, raw logs from state and federal lands in the Pacific Northwest cannot be exported. This keeps wood processing jobs at home and reduces pressure to cut more trees. But in exchange for signing the "free logging" agreement, Japan insists that the United States must lift its ban on raw log exports. The Pacific Northwest would then have to export more of its precious forest heritage and many US jobs would be lost.

Corporations Escape Responsibility

In Seattle, trade negotiators could also launch new talks designed to increase the global movement of investment -- including the mills and timber concessions vital to the logging industry. Without strong environmental safeguards in place, however, greater investment mobility

will set free transnational timber companies to ravage the world's forests -- and the communities that depend on those forests for survival.

In addition, the Clinton administration is proposing that the WTO adopt new principles in Seattle to govern eco-labeling -- an important tool for informing customers whether wood products come from well-managed forests. The administration's principles would allow the WTO to decide what consumers can know about wood products. If the administration has its way, environmentalists could lose a promising new tool for empowering consumers in the fight for global forest protection. Independent, third party eco-labeling programs, that encourage consumers to use their purchasing power to protect forests, could be lost.

New threats to forests that may emerge from Seattle are not the only concern of the Sierra Club. There are already WTO rules on the books that pose a major challenge to forest protection.

Governments Can't Go Green

The WTO already compromises the right of local, state, and federal governments to use their procurement practices to promote social values, including forest protection. Under the WTO's procurement rules, governments are not permitted to consider such factors as whether a piece of wood was cut from a rapidly disappearing rainforest or whether paper contains recycled content when purchasing materials. Already, "green procurement" legislation in New York was defeated after timber industry representatives charged that the legislation was illegal under the WTO.

Dangerous Pests Invade

As international trade grows, more and more invasive forest pests hitchhike from place to place on raw logs, on wood products such as railroad ties, and in wood crates and pallets. Lacking natural enemies, imported pests can cause enormous damage. In the past, pest invaders wiped out the American chestnut, the American elm, and the white pine.

A rising tide of imported insects, such as the Asian long-horned beetle and the Asian gypsy moth, and new fungal diseases threaten to devastate trees in our nation's forests, our cities' parks, and our own front yards.

The US Animal and Plant Health Inspection Service, the federal agency in charge of pest control, recently stated that it cannot implement the strong, precautionary safeguards necessary to stop invasive forest pests because doing so would violate WTO rules.