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# Fast Track: Fix It or Nix It

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Last November, by a single vote, the United States 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 the bill during its next legislative session, which began January 23.

The House bill is guided by the tired free-trade mantra on the environment: Free trade will lead to rising incomes-which by themselves will trigger citizen demands for a cleaner environment-and increased foreign investment-which is assumed will translate into greater use of clean production technologies by industry.

The Senate doesn't need to travel far to see how misguided and environmentally destructive following this mantra can be. Recently released statistics from Mexico's National Institute for Statistics, Geography and Information Systems (INEGI) document how environmental degradation has significantly reduced the benefits of trade-led economic growth in Mexico-the very nation that the Bush administration holds up as the free trade 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 average annual amounts of soil erosion, solid waste generation, and air pollution have increased by 63% since 1988, the year Mexico began its transition toward economic integration.

These trends have occurred faster than (and despite) the rising incomes that were supposed to offset environmental contamination. During the same period, real economic growth has been slower than promised, but positive, rising by 38% (only 17% in per capita terms).

The results have been costly to Mexico's prospects for development. The INEGI studies estimate the financial costs of this environmental degradation at 10 % of GDP from 1988 to 1999-an average of $36 billion of damage each year ($47 billion for 1999). These damage costs overwhelm the value of Mexico's economic growth, which has been just 2.5% annually over the same period, or $14 billion per year.

In sum, the economic costs of environmental degradation are far outstripping the benefits of trade-led growth in Mexico.

The reason for this stark reality is all too clear: The proper mechanisms were not put in place to help Mexico manage its economic growth in an environmentally sustainable manner, and so free trade took its toll.

This is unfortunate, because in the years leading up to the signing of 1994's North American Free Trade Agreement (NAFTA) Mexico had begun to show environmental improvements. Indeed, spending on environmental protection doubled and Mexico started a much-needed industrial environmental inspection program. However, shortly after NAFTA was signed and

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fiscal and financial woes set in, attention to the environment nose-dived.

According to INEGI, since 1994 real spending on environmental protection has declined by the equivalent of \$200 million, or 45%. Even at their highest levels, allocations for environmental protection were paltry in comparison to Mexico's counterparts in the Organization for Economic Cooperation and Development (OECD); as a percentage of GDP, they were only one-fifth the size of other OECD nations. Tellingly, the number of environmental inspections has also decreased by 45% over the same period.

The environmental "side" institutions created by NAFTA set some important precedents, but were not equipped to come to the rescue. At most, Mexico receives only one-third of the \$9 million annual budget of the North American Commission for Environmental Cooperation (NACEC). NACEC has been effective in carrying out its limited mandate, enabling citizens groups to monitor environmental progress and convening cross-national information sharing and research efforts in North America. But the impact of the \$3 million it spends south of the border is dwarfed by Mexico's budget shortfalls and the \$47 billion price tag of environmental degradation there.

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.

The recent U.S.-Jordan Free Trade Agreement, for example, incorporated environmental provisions in the heart of the trade agreement itself. Rather than building on this progress, at this writing the FTAA lacks even the limited environmental provisions that were included in NAFTA's side agreement.

The FTAA text also includes the controversial NAFTA-like investment provisions that allow private foreign investors to sue nations in the hemisphere for domestic environmental regulations that are deemed "tantamount to expropriation." Again, here Mexico serves as an example for what looms ahead for the Americas under the FTAA. Under NAFTA's investment rules, this October the Mexican government 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 policy. 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.

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