Guest Commentary

Clean Fast Track Not Clinton Fast Track

by Daniel T. Griswold

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Labor and environmental standards have no place in any bill to renew fast track trade authority. The principle guiding defenders of open markets should be "clean" fast track or no fast track.

The Clinton administration seeks authority to negotiate foreign trade agreements that subsequently go to Congress for a straight up or down vote, without amendment. But also wants authority to negotiate agreements that promote "sustainable development," code words for environmental regulation. Further, it wants to strengthen the International Labor Organization, to give it real authority to enforce global labor standards.

The fast track debate is not about a cleaner environment or worker rights. It is about the freedom of people in America to engage in mutually beneficial trade with people in other countries. The international standards and trade sanctions upon which opponents of a clean fast track insist would, in fact, slow progress toward better living standards in poor countries.

Workers in poorer countries do not earn less than American workers because they lack union representation or a proper minimum wage. They earn less because they produce less. What gives an industry in a developing country a cost advantage is not the wages it pays its workers but a lower cost per unit of production. Yes, workers in Mexico and Bangladesh are paid a fraction of what workers receive in the United States, but they also produce a fraction of what their American counterparts produce.

The only way to raise the overall wage level and working conditions in less developed countries is to increase the productivity of workers, and that can only be achieved by investing in more physical and human capital. Trade sanctions have the opposite effect. They reduce the incentive to invest by lowering the return on capital and by thwarting the greater efficiencies that specialization of trade produces. As evidence, the Organization for Economic Cooperation and Development found, in a 1996 study, that greater openness to trade tends to be associated with an increase in labor standards, including freedom of association.

The same logic applies to environmental standards. Trade, and the rising prosperity it tends to promote, make possible the very standards the environmentalists want poorer countries to enforce. The governments of poorer countries allow more pollution because their economy cannot afford the same standards as developed economies. When a sizeable share of the population lives on the edge of subsistence, pristine air and water are luxuries, not necessities. Economic development must come first.

The economic activity that lifts incomes and creates pollution ultimately pays for cleaner environments. A study by two Princeton economists, Gene Grossman and Alan Krueger, found that air pollution levels begin to improve in countries when per capita income reaches $4,000 to $5,000 per year.

Two countries at different stages of development and with differing social preferences should not be forced to "harmonize" their environmental and labor standards. Competition breaks down monopolies and encourages efficiency and rational decision making. "Harmonization," in contrast, is just another word for a policy monopoly that forbids governments from competing to enact better, less economically destructive rules.

It need not mean a "race to the bottom." Countries that trade with each other remain free to enact different regulations on labor and the environment. Free trade and mobile capital can place a more accurate, and perhaps higher, price on regulations, but they do not force governments to adopt a single standard, whether higher or lower.

Any fast track bill, and the trade agreements it spawns, should focus solely on reducing barriers to the movement of goods, services, and capital across borders. It should leave other countries free to determine their own internal regulations. It is folly to try to force developing countries to act as though they were richer by threatening trade sanctions that will only make them poorer.