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Trade Agreements, Competition and the Environment: Gridlock at the Crossroads: Discussion

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The southern perspective provided in the Seale and Fairchild paper makes this paper especially interesting as an overview of concerns related to the use of trade policies to advance environmental objectives on a global scale. With the exception of their "World Environmental Bank" idea, it is easy for me to agree with most of their points and their underlying premise that the development of trade policies based on environmental priorities represents an effort to link the inaccurate with the unstable.

Seale's and Fairchild's focus on the inefficiency of trade intervention as a means of redressing negative agricultural production externalities is well founded. Direct tax and subsidy systems that provide the "right" price signals to both producers and consumers, though often defective in practice, are a theoretically more efficient means of correcting environmental problems. The use of trade policy to achieve environmental goals is a "third-best" solution and as such is an inaccurate tool.

In addressing the problems of policy shifts, growth, resource use, and the location of pollution Seale and Fairchild indirectly acknowledge some of the sources of instability in the trade/environment policy mix. This instability arises, in part, because environmental policy goals in the United States and elsewhere are not fully developed. Although an increased awareness of environmental concerns has increased desires for an environmentally friendlier agricultural sector, these desires are not universally

held. Furthermore, even those desiring an environmentally friendlier agriculture are not in agreement as to how much friendlier the agricultural sector must become. Given the inherent difficulties associated with moving resources in and out of agriculture, environmental goals need to be more fully resolved.

Environmental priorities are unstable, in my opinion, because we have no sustainable plan for continuing to feed and clothe a world whose population has never been larger and continues to grow. Freeman maintains that in the next hundred years the world's agricultural sectors will need to produce as much food as has been produced in the entire 12,000 year history of agriculture. Even if current demands are met, the affect on the earth's future agricultural carrying capacity is unknown.

In addition, environmental policies are unstable because their implementation requires political will. Rogoff uses the euphemism "time inconsistency" to describe the incentives that lead governments to renege on past commitments. It may be politically expedient to agree to focus on an environmental concern, but the next occasion for changing that priority may be no further way than the next election, the announcement of the latest unemployment figures, or the realization the development of your nation has to be slowed or even stopped to meet an externally induced environmental priority. The lack of political will weakens future commitments to environmental goals.

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Seale and Fairchild also note that environmental quality is a luxury good and the use of trade policies may serve as recognition by poorer nations that richer nations value the welfare of their future generations more than they value the welfare of current generations in poorer nations. Pomareda and Schmitz note that high-income nations have no idea about how to mitigate the consumptive anxieties of poorer nations when the issue of saving resources for future uses arises. When rich nations look at the issue of sustainability they see an obligation to consider the welfare of future generations in current activities. When poorer nations look at the issue of sustainability they see an obligation to sustain the current generation and may view efforts to address concerns about the future as barriers to their development.

One of the more troubling sources of environmental policy instability is that most environmentally focused policy blends are incomplete. Just as multilateral trade agreements are often displaced by more tractable bilateral agreements, efforts to fully coordinate

macroeconomic, development, agricultural, and trade policies with environmental policies are superseded by simpler policy mixes. As a result, environmental/trade or environmental/agricultural policy mixes are incomplete in that these combinations only address individual problems or distortions arising from trade or agricultural policies, and not more comprehensive economic activities. Unfortunately, the Seale and Fairchild "World Environmental Bank" idea appears to follow in the incomplete vein and that is my main concern about the idea.

Finally, I think it is important to recognize that while some aspects of trade and environmental policy intersect and that the common interests of all nations in these areas need to be explored, we should not ignore other areas of interaction. Rather than relying solely on trade policies to marshal the world's agricultural resources into more environmentally friendly uses, we should be looking for ways to more fully coordinate macroeconomic, agricultural, trade, development policies with environmental priorities.

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