



INSIDE RFF

RFF and Brookings Scholars Assess Protesters' Claims about World Bank/IMF Environmental, Labor Policies

At an April 12 press briefing, scholars from RFF and the Brookings Institution offered a candid assessment of the charges being raised by the protesters who attempted to shut down the spring meetings held April 16–17 by the World Bank and the International Monetary Fund (IMF).

RFF President Paul Portney and RFF University Fellow Wallace Oates joined Brookings Vice President Robert Litan and Brookings Senior Fellow Gary Burtless in endorsing the protesters' fundamental goals—protecting the environment and safeguarding workers in developing countries—while criticizing their lack of perspective about how expanded free trade can address these issues. The panelists also commented on alternative approaches for solving environmental and social problems in developing countries and possible reasons why the international monetary organizations have become the target of so

much political furor.

“Emotions run very high on these issues but they are extremely difficult to disentangle intellectually,” said panel moderator Zanny Minton-Beddoes, Washington economics correspondent for *The Economist*. “Does free trade improve living standards or does it begin a race to the bottom? What’s the role of voluntary standards? How do you deal with cross-border environmental issues, such as global warming?”

According to Oates, while there can be troubling, short-term conflicts between environmental goals and trade objectives, it is critically important to see the relationship between trade and the environment over the long haul. The body of available evidence clearly shows that environmental quality is systematically higher in richer countries, he said. For example, there is a very strong correlation between access to safe drinking water and levels of income. “This should come as little surprise,” Oates said. “People care about their environment and, as their incomes rise, want to devote a larger share of their resources to protection of the environment.”

According to Oates, environmental problems caused by international free trade tend to be very particular in nature and require targeted solutions, such as technical assistance supported by financial aid. Restricting trade tends to be a self-defeating measure, he said; unilateral setting of tariffs or import bans often have little effect on the behavior of polluting industries abroad.

Portney argued that trade, particularly in the form of foreign direct investment in developing countries, can also have a powerful, short-term benefit. The record clearly shows that when firms based in the United States or OECD (Organisation for Economic Co-operation and Development) countries invest in developing countries, they build plants that are akin to those they would build in their home countries, he said. This in turn puts pressure on indigenous firms to lift their environmental standards up to the levels both for occupational safety and health and environmental protection in the developed world, he said.

“In a world in which we want to encourage rather than discourage international trade, there are other mechanisms for harnessing the marketplace to solve environmental and health and safety problems that need to be explored,” Portney said. These include increased use of product labeling, greater support for multilateral environmental agreements, elimination of harmful commodity subsidies, direct financial assistance to developing countries to allow them to invest in cleaner technologies; and development of an alternative forum for discussing international environmental practices outside the World Trade Organization (WTO).

Defining Appropriate Worker Protection

Many protesters want to see the World Bank, the IMF, and the WTO refrain from

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Zanny Minton-Beddoes and RFF's Paul Portney and Wallace Oates



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entering into agreements with countries that lack certain fundamental worker protection provisions, such as prohibitions on child labor. According to Brookings' Burtless, certain minimum protections are acceptable as conditions for loans, or for participation in international credit agreements. But it is important, he said, to keep two cautions in mind.

First, although many advocates of tougher standards really do have the interests of workers in the developing world in mind, Burtless said, others are primarily interested in defending the interests of much better-off workers, namely those in rich countries. "Insisting that your trade partner have just as strong worker protections as you do can easily turn into a standard trade protection," he said. Second, worker protections designed in Paris, London, or Washington "might not be the ones that are terribly appropriate" to people living in certain developing countries, where half or more of the population lives on \$2 a day or less, he said.

Brookings' Litan contended that many of the protesters, who professed "to be worried about people abroad, are also worried about themselves." There is as much worker anxiety today about losing one's job, in a world with 4% unemployment, as there was during the 1991 recession, when unemployment was double that, he said. The booming, Internet-driven economy has sparked a rapid increase in productivity growth but there is a corresponding downside—more goods can be produced by fewer people, which has led to downsizing and increased job turn, he said.

The average citizen doesn't see the benefits of expanded free trade, which is perceived as a game played by the *Fortune* 500 companies, Litan said. "The more we continue [to] rely on corporate America ...

to lead the free trade movement, [the more] it will play right into the hands of the people in the street who are saying it's all one big conspiracy to bring down the fate of the world." ☰

Raymond Kopp Named RFF Vice President for Programs



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Raymond J. Kopp

Raymond J. Kopp, a senior fellow in the Quality of the Environment Division, has been named RFF's Vice President for Programs, the institution's senior research position. He has conducted research at RFF since 1977 on a host of environmental and natural resource issues, including climate policy, the benefits and costs of regulations, and how people value the preservation of pristine wilderness areas. He holds a Ph.D. in economics and has published widely in the economic literature.

Ray also serves as executive editor of *Weathervane* (www.weathervane.rff.org), RFF's Web site on climate policy, and is a member of the U.S. State Department's Advisory Committee on International Economic Policy. He was the director of RFF's Quality of the Environment Division from 1988 to 1998, and served as director of strategic planning for the past two years.

"Ray's strengths are his keen intellect and his firm commitment to elevating the quality of policy debate through careful research. These will be valuable assets as we expand our research programs in technology, biodiversity, urban development,

and the environmental and resource problems of the developing world," RFF President Paul Portney said. ☰

Richard Morgenstern Joins RFF as Senior Fellow



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Richard Morgenstern

Richard (Dick) Morgenstern, an influential figure in international climate policy, has joined RFF as a senior fellow in the Quality of the Environment Division. Most recently, he was senior economic counselor to the Under Secretary for Global Affairs at the U.S. State Department, where he was a member of the U.S. negotiating team for the Kyoto Protocol. Dick served at the U.S. Environmental Protection Agency for more than a decade. While at EPA he acted as Deputy Administrator (1993) and Assistant Administrator for Policy, Planning, and Evaluation (1991–93). He led the Agency's study on multimedia environmental risks, *Unfinished Business*.

His recent domestic research has focused on the accuracy with which the costs of environmental protection are measured, and on the use of economic incentives to reduce greenhouse gas emissions. He has written widely on these issues in both academic and popular journals. His book, *Economic Analyses at EPA: Assessing Regulatory Impact*, was published by RFF in 1997, while he was a visiting scholar.

"Dick's extensive experience—both as a researcher and a policymaker—will be a valuable addition to RFF," Portney said. ☰



INSIDE RFF

Two New Board Members

RFF welcomes two new members to its board of directors, Enron Chairman and CEO **Kenneth L. Lay** and distinguished Yale economist **William D. Nordhaus**.

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Kenneth L. Lay

Lay joined Enron in 1986, following the merger of Houston Natural Gas and InterNorth Inc. in 1985. He joined Houston Natural Gas in 1984, as chairman and chief executive officer. Previously, he served as president and chief operating officer of Transco Energy Co., from 1981 to 1984. Before that, he was president of Continental Resources Co. and executive vice president of its parent company, the Continental Group.

Lay holds a Ph.D. in economics from the University of Houston, and master's and bachelor's degrees in economics from the University of Missouri. He has served as an officer in the U.S. Navy, technical assistant to a member of the Federal Energy Regu-

latory Commission, and as a Deputy Under Secretary of the U.S. Department of the Interior.

Currently, Lay is a member of the board of directors of Compaq Computer Corp., Eli Lilly and Co., and Trust Co. of the West. He also serves on the board of trustees of the H. John Heinz III Center for Science, Economics, and the Environment; the Business Council; and the National Petroleum Council. Among other honors, Lay was named one of the 25 top managers by *Business Week* for 1996 and 1999.



William D. Nordhaus

Nordhaus is the A. Whitney Griswold Professor of Economics at Yale University. He joined the Yale faculty in 1967 and has been a full professor of economics since 1973. He received his undergraduate degree from Yale and his Ph.D. in economics from the Massachusetts Institute of Technology in 1967.

Nordhaus was a member of the Presi-

dent's Council of Economic Advisers from 1977 to 1979. He has held senior leadership positions at Yale, serving as Provost from 1986 to 1988, and as Vice President for Finance and Administration from 1992 to 1993. Currently, he is a member of and senior advisor to the Brookings Institution's Panel on Economic Activity.

Co-author of the classic textbook, *Economics*, with Paul Samuelson, Nordhaus has written several other books, including *Invention, Growth and Welfare, Is Growth Obsolete?, The Efficient Use of Energy Resources, Reforming Federal Regulation, and Managing the Global Commons*.

Nordhaus's research has focused on economic growth and natural resources, as well as the question of the extent to which resources constrain economic growth. He also has conducted studies in wage and price behavior, augmented national accounting, the political business cycle, productivity, and the costs and benefits of regulation. Recently, his work has focused on the economics of global warming, including the construction of integrated economic and scientific models to determine an efficient path for coping with climate change.

Welcome to the RFF Council

RFF would like to thank the following corporate Council members for their generous support of our efforts to inform and influence environmental policy.

Al Collins

Director of Health, Environment and Safety
Occidental Petroleum Corporation

Martin Durbin

Associate Director, Federal and International Affairs
American Plastics Council

Katherine Fish

Director of Public Policy
Monsanto Company

Michael McAdams

General Manager, Government Affairs
BP Amoco

Susan Sischke

Senior Vice President, Regulatory Affairs and Passenger Car Operations
DaimlerChrysler Corporation

Recent Grants to RFF

The Energy Foundation

\$125,000 to study the distribution effects of various domestic greenhouse gas control policies

Cummins Engine Company, Inc.

\$15,000 to support general operations and research