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TRADE & SPRAWL:

HOW GLOBAL TRADE RULES COULD INCREASE SPRAWL

Poorly planned developments are threatening our environment, our health, and our quality of life. In communities across America "sprawl" – scattered development that increases traffic, saps local resources and destroys natural areas – is taking a serious toll. From Connecticut to California, sprawl is increasing air and water pollution, devouring wetlands and forests, and burdening our communities with the social and economic costs of unplanned growth.

Across the country, people are coming together to fight for more environmentally sensible development. However, as communities and decision-makers learn about the environmental impacts of sprawl and work to promote smarter growth, negotiations of international trade rules are taking place that could make it more difficult for communities to implement smart-growth solutions and curb sprawl.

Today's trade agreements are incredibly comprehensive and cover much more than just cutting quotas and tariffs. Instead, they have the potential to affect significant aspects of our lives and set limits on what our elected officials in all levels of government can and cannot do without violating trade agreements. Whether we are talking about state and local procurement rules, local economic development, or protecting water and air, trade agreements threaten local development and environmental policies.



Many common local land use policies could be threatened by trade rules :

- Zoning policies, protecting scenic or environmentally sensitive areas, could be challenged as trade barriers because they could limit the number of hotel, housing and retail service suppliers.
- Limiting the number of "big box" stores, or laws that exclude such operations could be in violation of trade agreements.
- Giving purchasing preferences to locally owned businesses through procurement rules could come under attack.
- Restrictions on store hours could be challenged because they limit the total value of service transactions.

Globalization can lead to increased exposure to different countries and cultures. Unfortunately, rather than enjoy and embrace this diversity, today's trade rules are paving the way for large chains and box-store retail, leaving previously diverse communities across the world looking more and more alike.

Where are these trade talks taking place?

THE WORLD TRADE ORGANIZATION (WTO)—The World Trade Organization (WTO) was created in 1995 and more than 145 countries are members. The WTO consists of over a dozen different trade agreements and covers areas like agriculture, intellectual property rights, food safety and services. At the core of WTO's rules is a push to increase market opportunities and profits for multinational corporations. As a consequence, environmental and public health protections have been undermined at the WTO through challenges in closed-door tribunals. The General Agreement on Trade in Services (GATS) is the WTO agreement where local attempts to curbing sprawl could come under threat.

VARIOUS REGIONAL AND BILATERAL FREE-TRADE AGREEMENTS—The U.S. is currently negotiating a number of regional and bilateral free-trade agreements that could affect anti-sprawl measures. Two of these are the Central American Free Trade Agreement (CAFTA) and the Free Trade Area of the Americas (FTAA). Both agreements are based on the flawed model of the North American Free Trade Agreement (NAFTA), which did not include any meaningful protections for the environment.

How do international trade rules affect the fight against sprawl?

At the core of today's trade agreements are rules that allow corporations to maximize their profits with as little interference as possible. As a result, laws and regulations that aim to protect the environment and public health have been considered "barriers to trade" and have been attacked under these trade rules.

The language in trade agreements is very specific. For example there can be no "limitations on the number of service suppliers" so if one foreign big box store or hotel chain is allowed access, elected officials could not deny others access or limit the number of operations. Similarly, no "limitations on the total value of service transactions or assets" are allowed. Local regulations on store hours or restrictions on billboard advertisements could fall under this constraint.

Under the General Agreement on Trade in Services (GATS), which is part of the WTO, countries have some flexibility in determining which areas they will open for liberalization (which could mean privatization or deregulation) through foreign competition. However, the U.S. has already agreed to liberalize wholesale trade, retailing and distribution services, which could lead to challenges of local initiatives aimed at curbing sprawl and promoting smart growth.

Currently, GATS negotiators are working on new rules for the agreement that would create additional grounds to challenge local regulations in closed-door WTO tribunals. Negotiators working on new rules to "discipline" domestic regulation have listed advertising, licensing, and municipal zoning as examples of regulations where WTO panels should be allowed to second guess local land use decisions and judge whether a local government decision on zoning was "necessary" or "proportionate" to achieve its goals. This could pave the way for the WTO to make these decisions instead of democratically elected local policymakers.



Trade rules can also put limitations on measures designed to improve local economic and environmentally sensitive developments. Establishing local purchasing preferences for locally owned businesses would not be allowed under many trade agreements.

Similarly, a local, state or federal initiative aimed at curbing sprawl could be challenged if another country feels it violates the trade agreement. Through the WTO's dispute settlement system, three panelists would be appointed to hear the case, without any public participation and without giving the local jurisdiction a chance to defend itself. The hearings are held behind closed-doors and in previous cases, environmental concerns have not been given much weight. Once the panel reaches its verdict, the country is essentially faced with two choices: change its law or face trade sanctions.

In the NAFTA-style agreements, including CAFTA and the FTAA, corporations have been given the right to sue a government directly in secret tribunals for cash compensation. Already there have been numerous cases under NAFTA that attack environmental laws and regulations, and in several instances countries trying to protect the environment have had to compensate corporations. Mexico was forced to pay \$16 million to the U.S. company Metalclad after denying it a permit to build a toxic waste facility on an environmentally sensitive site.



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There is a better way!

The Sierra Club supports trade, but we want trade agreements that promote a higher quality of life for all, not trade that simply serves as a vehicle to increase corporate profits. Communities should have the right to determine what kind of economic development they want. They should also be able to promote local and environmentally sensitive development rather than box-store retail that increases sprawl and pollution. We must learn our lessons from the failed trade agreements of the past and stake out a better course for the future, where peoples' lives and livelihoods are protected and respected.



For more information on the Sierra Club's Responsible Trade Campaign contact responsible.trade@sierraclub.org or visit www.sierraclub.org/trade. For more information on the Sierra Club's Sprawl Campaign visit:

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