

customers, the availability of low-cost energy supplies, fiscal policy and other factors that influence such decisions. Additionally, experience suggests that technological improvements to meet tougher environmental standards usually go hand in hand with broader technological improvements. Thus, new investments in, for example, developing countries to replace old investments in industrialized countries of traditional "dirty" industries are likely to involve the use of the latest technologies and lead to a net reduction in global pollution levels.¹⁵

The whole question, however, needs to be kept in perspective. Countries trade in order to exploit the comparative advantage they derive from differing factor endowments such as available resources, the quality and price of labour, the policy environment, the costs of inputs and proximity to markets. The international trading rules seek to ensure that comparative advantage can work and lead to a more efficient allocation of scarce resources on a global basis. Efforts to put in place trade barriers aimed at leveling the playing field in effect defeat the whole basis upon which trade takes place.¹⁶

Pressures to level the playing field, of course, are not new. In the first years of this century, US economists were much preoccupied with developing arguments for and against the so-called scientific tariff. The idea was that the US tariff on individual products should be set at a level high enough to offset the cost advantages enjoyed by foreign producers but no higher.¹⁷ The devilishly clever variable levy used by the EC to protect its agricultural producers works much the same way. The result is very little trade. While the whole concept is an economic nonsense, more sophisticated versions keep cropping up. Current demands that producers facing higher environmental compliance costs in one country should be allowed to seek countervailing duties to offset these costs on imported products fall into the same category.¹⁸ Putting aside the formidable methodological difficulties of measuring comparative costs of pollution compliance in differing

¹⁵ See, for example, Nancy Birdsall and David Wheeler, "Trade Policy and Industrial Pollution in Latin America: Where are the Pollution Havens?" Patrick Low and Alexander Yeats, "Do 'Dirty' Industries Migrate?" and Piritta Sorsa, "GATT and Environment: Basic Issues and Some Developing Country Concerns," in Patrick Low, ed., *International Trade and the Environment*, World Bank Discussion Paper 159 (Washington: World Bank, 1992).

¹⁶ See John Jackson, *The World Trading System: Law and Policy of International Economic Relations* (Cambridge, Mass: MIT Press, 1991), particularly pp. 208-210.

¹⁷ See Jacob Viner, "The Tariff Question and the Economist," reprinted in *International Economics* (Glencoe, Illinois: The Free Press, 1951).

¹⁸ The fact that countervailing duties are assessed for a variety of other, equally dubious reasons, almost exclusively by the United States exercising its economic muscle, in no way justifies the use of this draconian measure for environmental reasons. The whole concept that trade must be "fair," a notion particularly popular among Washington lawyers, lobbyists and legislators, has no intellectual foundation. See James Bovard, *The Fair Trade Fraud* (New York: St. Martin's Press, 1991) for a devastating survey of what is wrong with the fair trade concept.