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An Environmental Perspective on Our Experience with NAFTA

William A. Nitze¹

The North American Free Trade Agreement (NAFTA) has succeeded in accomplishing its objectives beyond the reasonable expectations of its creators. There is strong evidence that the NAFTA significantly reduced the negative impact of the 1995 peso crisis on trade with North America and that it will accelerate the growth in North America trade flows in 1996 and beyond. NAFTA's success has ensured the commitment by Western Hemispheric heads of state to create a hemispheric free trade zone at the Miami Summit in December 1994.

NAFTA's potential to achieve greater political and social integration within North America, and particularly between the U.S. and Mexico, may be more important in the long-term than its direct economic benefits. Despite its continuing political scandals and law enforcement challenges, Mexico is steadily moving towards a more open and competitive economy and a more pluralistic democracy. The increased integration of the U.S. and Mexican economies resulting from NAFTA have accelerated this process.

The two most significant social consequences of the environmental institutions created by NAFTA are the encouragement of greater pluralism and decentralization of power in Mexico, particularly along the U.S. border, and greater incorporation of sustainable development concepts into environmental policymaking in all three North American countries. These consequences have flowed directly from initial efforts to achieve the improvement and harmonization of environmental performance, the upgrading of environmental infrastructure and greater citizen participation in decision making mandated by the agreements establishing the North American Commission for Environmental Cooperation (NACEC), the Border Environmental Cooperation Commission (BECC) and the North American Development Bank (NADBank). They have flowed directly from the much more frequent contact, exchange of information, and sharing of perspectives among public and private sector representatives from all three countries brought on by these institutions.

At the initial meetings of the NACEC and the BECC, Mexican government representatives were very concerned about giving members of the public complete freedom to raise issues or ask questions. Mexican government officials were simply not accustomed to being directly criticized or questioned by members of the public. They were also concerned about giving environmental NGOs an opportunity to embarrass the Mexican government or to force it to commit itself prematurely on sensitive issues.

As representatives of all three governments have gained experience with public participation at subsequent meetings, however, Mexican government representatives have

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become noticeably more relaxed about responding to public comments and taking positions on controversial issues on relatively short notice. Representatives of local communities and NGOs in Mexico, in turn, have become more confident in expressing their positions and concerns to the government representatives present and have appeared to enjoy their participation in the meetings.

Mexican communities presenting proposed infrastructure projects to BECC for certification have also had an unprecedented opportunity to present their needs directly without going through Mexico City. They have gained valuable experience in working directly with sister cities on the U.S. side of the border in developing coordinated programs to meet common environmental needs. NGOs, community groups and private companies have been able to interact directly with local governments on both sides of the border in shaping project proposals to accommodate their interests.

All of these interactions have helped to build "social capital" in the form of greater public trust and civic participation in both countries. It will take some time before a critical mass of infrastructure projects certified by the BECC, and at least partially funded by the NADBank, have actually been put into place. But the process of building consensus in support of projects meeting minimum BECC criteria has already produced a deeper understanding of the interrelated challenges facing border communities and the types of long-range solutions required.

This point brings me to the issue of sustainable development. Sustainable development is a central theme in the NAFTA Side Agreement and in the charters of all three NAFTA-related institutions. The concept has been explicitly incorporated into BECC's criteria for certification of projects in the U.S.-Mexico border region. These criteria make explicit reference to preservation of natural resources, the polluter pays principle, full social cost pricing, pollution prevention, benefits to low income communities, and building human infrastructure. The criteria were agreed only after long and contentious debate among the BECC directors, members of the BECC Advisory Committee, and representatives of the public. Once agreed, however, they have already improved the quality of the projects certified by the BECC.

The NACEC is also beginning to make a contribution to sustainable development in North America. The U.S., Canada, and Mexico have historically developed environmental laws and policies without much coordination with their North America neighbors. NACEC has provided a badly needed forum for that coordination to take place. It has developed a common database on not only the laws and regulations of the three countries, but also on their shared ecosystems. It has brought together experts and policymakers on specific environmental problems from all three countries. Most importantly, it has already begun to develop common strategies for reducing emissions of toxic chemicals and heavy metals, promoting adoption of energy efficiency and pollution prevention technologies, and protecting common ecosystems.

The citizen complaint procedure under the North American Agreement for Environmental Cooperation will also contribute to sustainable development by promoting greater trilateral cooperation on specific issues. The NACEC Secretariat Report on the Death of Migratory Birds at the Silva Reservoir, in addition to specific recommendations on pollution prevention and response options, urges the governments of all three countries to foster and encourage cooperative initiatives to address both the waterbird and watershed dimensions of the Silva Reservoir incident. Discussion are already underway on specific cooperative responses. NACEC responses to future complaints should engender

similar cooperative activities.

It is too early to predict the long-term consequences of NAFTA for the North American environment. There is no question that increased trade flows resulting from the agreement will create additional environmental stresses. But it is my belief that the increased public participation in environmental decision-making and greater integration of environmental policies resulting from the agreement will produce environmental benefits that more than outweigh any such negative impacts.