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PROTECTING THE ENVIRONMENT IN NORTH AMERICA WITH FREE TRADE

INTRODUCTION

Across the trail leading to a North American free trade accord, some environmental extremists have tossed a green herring. They concede that free trade will trigger a Mexican boom, create Mexican jobs, and raise Mexican living standards. But this, these extremists then say, is bad. It is bad, they maintain, because economic growth will spawn more polluting industries.

Adding to the extremists' Cassandra chorus is the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) and other unions that contend a free trade area will encourage United States companies to move to Mexico, where they allegedly can escape the strict laws and enforcement of the U.S. Environmental Protection Agency or EPA.

It is with such dire warnings that some ecologists and trade union executives hope to derail the North American Free Trade Agreement (NAFTA) between the U.S., Canada, and Mexico, which will spur economic growth in all three countries. A free trade zone in North America would be the largest free trading region in the world, comprising over 360 million people and producing \$6.2 trillion worth of goods and services a year. A North American free trade area not only would open new markets for U.S. goods, it also would help U.S. companies compete better against European and Asian competitors.

Diverting Discussion. These benefits, however, may be denied North Americans if opponents of NAFTA get their way. Greenpeace and some other environmentalist groups argue that the economic growth unleashed in Mexico by the NAFTA will generate more pollution in Mexico and the U.S. The reason: Economic growth, they say, will create more polluting industries that wish to take advantage of Mexico's purportedly lenient environmental laws and lax enforcement.

The critics' charges against NAFTA are simply a green herring, designed to divert the discussion from the merits of NAFTA. There is no truth, moreover, to the claim that a NAFTA will make pollution worse in North America.

Economic growth is more conducive to a clean environment than economic stagnation, which until recently has been Mexico's fate. It is no accident that the environ-

ments of advanced industrialized democracies are cleaner than those of poor countries in the Third World, Eastern Europe, or the former Soviet Union. The industrialized democracies are wealthy and thus have the luxury of worrying about a clean environment. A NAFTA would unleash economic growth and bring that kind of wealth to Mexico. This wealth would create a large middle class interested in a clean environment and thereby establish a political constituency for environmentalism. As it is now in Mexico, little grass-roots pressure exists to clean up the environment because most people are concerned primarily with making a living, and not with the quality of the air and water.

Strict Mexican Government. The charges of the U.S. labor unions also are wrong. American companies will not flee in large numbers to Mexico to escape the purportedly stricter environmental standards of the EPA. Ever since Mexican President Carlos Salinas de Gortari came to office in 1988, Mexico has been enacting environmental legislation comparable to that in the U.S. And enforcement of Mexican environmental laws is in some ways harsher than that in the U.S. Some trade specialists, such as former Assistant United States Trade Representative Stephen Lande, are even concerned that this rise in environmental enforcement in Mexico may hurt U.S. and Mexican companies which need to compete against Asian firms which enjoy laxer environmental standards. These strict environmental regulations will prevent Mexico from becoming an environmental dumping ground for U.S. companies.

Integrating the U.S. and Mexican economies into a free trade zone is far better for the environment than the economic isolation born of protectionism and hostile relations. A NAFTA would improve Mexico's chances of protecting its environment by increasing the cooperation and interaction between Mexican and American companies and the U.S. and Mexican governments. As Mexican companies merge with American ones, or receive U.S. investors, they will be more inclined to adopt the clean environment policies of the U.S. companies.

Mexico's governmental agencies, meanwhile, will establish cooperative programs with America's EPA. This cooperation, in fact, already has begun. For instance, this February 25, the EPA and Mexico's Secretariat of Ecology and Urban Development (SEDUE) proposed a joint U.S.-Mexican plan to combat environmental problems along the border. This plan culminates over a decade of close cooperation between the two nations' federal, state, and local governments.

MEXICO'S ECONOMIC STAGNATION AND POLLUTION

Mexico's environment has deteriorated during the past four decades, even during periods of economic growth. As in Eastern Europe's former communist countries, Mexico's environment suffered from the stifling hand of a government trying to run a centrally planned economy. Mexicans learned, like Poles and Hungarians, that planned economies and authoritarian governments cause far more pollution than free market and democratic systems.

This sad legacy began in 1929 when the Institutional Revolutionary Party (*Partido Revolucionario Institucional* or PRI) took control of Mexico's government. During the following 57 years, Mexico adopted increasingly socialist economic policies that wreaked havoc on the environment and the economy. The Mexican government pro-

tected domestic industries through high import tariffs, import quotas, and licensing of industries. It nationalized private property, heavily subsidized inefficient industries, and strictly regulated the economy. The result: domestic industries grew inefficient and wasteful and foreign and domestic investment was discouraged.

Without an infusion of investment capital, old, polluting factories continued to spoil Mexico's air and water even as Western industry was becoming cleaner and more efficient. Because they lacked the money to modernize their industrial plant, Mexican companies failed to adopt newer and cleaner production methods and technologies. Nationalized or heavily regulated industries also had little reason to obey environmental laws, since the government was loath to punish the polluting state-run companies which it owned.

Inefficient production eventually led to excessive pollution. Some 76 percent of the air pollution in Mexico City, for instance, comes from automobiles using low-grade leaded gasoline refined by the inefficiently run, government-owned oil monopoly, *Petroles Mexicanos* or PEMEX. The remaining 24 percent of Mexico City's air pollution comes from factories, two-thirds of which only five years ago were controlled or owned by the government. Since that time over 85 percent of these have been sold by the government to private investors.

SALINAS'S GREEN CAMPAIGN

President Salinas has tried to reverse this legacy of pollution. When he took office in December 1988 he made environmental protection one of his top priorities. Though Mexico's first environmental law had been passed sixteen years earlier, setting minimum limits on industrial pollution, Salinas was the first Mexican leader to give strong support to environmental protection. The Mexican equivalent of the U.S. EPA was established by President Miguel de la Madrid in 1982, but it was Salinas who expanded its activities. Called the Secretariat of Ecology and Urban Development (*Secretaria del Desarrollo Urbano y Ecologia* or SEDUE), this agency had an annual budget of only \$4.3 million in 1988; this year the budget is \$88.4 million, a 613 percent increase from 1988.

Salinas has spent money on other environmental programs. The portion of government spending on environmental protection grew from \$12.5 million, or .05 percent of gross national product in 1988, to \$1.1 billion, or .44 percent of Mexico's GNP in 1991.¹ Mexico City began a program in 1991 to combat air pollution. This alone will cost \$2.5 billion in the next four years.²

Stepped-Up Powers. Salinas not only has increased government spending on environmental protection, he has introduced strict environmental regulations. The 1988 Law of Ecological Balance and Environmental Protection gave SEDUE police as well

1 "Aspects of the Environmental Situation in Mexico and Related Policies," Secretariat for Urban Developmental Ecology, Mexico City, April 1991, p. 6.

2 "U.S. Mexico Trade: Information on Environmental Regulations and Enforcement," Report to the Chairman, Committee on Commerce, Science and Transportation, U.S. Senate, May 1991, p. 3.

as regulatory powers.³ Example: SEDUE can close factories that violate environmental regulations. Last summer SEDUE closed approximately 70 factories in and around Mexico City for violating environmental laws. In this respect and others, the Mexican law is stricter than U.S. laws. In contrast to U.S. environmental laws, for instance, Mexico's 1988 environmental legislation requires an environmental impact study from every new industry before construction permits are issued.

Cleaning the Air. SEDUE issued its first regulations under the 1988 environmental law in 1990. Controlled now are dangerous chemicals, automobile and factory emissions, hazardous materials, and dangerous waste residues from production.⁴ SEDUE requires that all cars made after 1991 be equipped with catalytic converters that burn cleaner unleaded gasoline. This has forced Mexico's oil company, PEMEX, to begin producing unleaded gasoline. The government of Mexico City is converting tens of thousands of its public transportation vehicles to use cleaner burning natural gas.

Since coming to office, Salinas has taken a personal interest in environmental protection in Mexico, often at considerable political cost. Last June, for example, his government closed Mexico City's Azcapotzalco gasoline refinery at a cost of \$500 million in lost revenues. This refinery was one of Mexico City's most notorious polluters, dumping 224 tons of pollutants into the air daily. Closing the plant was politically risky, throwing 5,000 PEMEX union workers out of their jobs. Salinas also requires polluting companies to pay the costs of environmental damages.

In 1990 Salinas introduced his National Environmental Protection Program, intending not only to clean up past environmental problems, but to prevent pollution. Under the plan, the federal government works with local governments and communities to avoid further urban congestion, create sound zoning laws, and use energy more efficiently to reduce air pollution.

Saving Dolphins. Some U.S. environmental groups such as the Sierra Club, and even the AFL-CIO, argue that the Mexican government is not serious about environmental protection. They cite as an example a ban by the California Federal Court in 1990 on Mexican tuna imports. Mexican tuna fishermen were accused of unwittingly killing large numbers of dolphins. Yet now Mexican fishing fleets use a special trap-door net (called a purse seine net) which allows dolphins to escape. As a result, the number of dolphins killed in the last five years has dropped by 56 percent. Even Greenpeace, an environmental group strongly opposed to dolphin killings by tuna fishermen, supports Mexico's policy of requiring observers to accompany Mexican boats and record the number of dolphins killed by tuna fishermen.

To be sure, environmental problems continue to plague Mexico. These include severe air pollution in Mexico City, a lack of water treatment facilities along the U.S.-Mexico border, and continued deforestation of jungles in the southern part of Mexico. The reason for these, however, is the terrible legacy of pollution left by decades of neglect and economic underdevelopment. Environmental enforcement problems along the U.S.-Mexico border arise from the SEDUE program being so new, and not from a

3 *Ley General del Equilibrio Ecologico y la Proteccion al Medio Ambiente* (January 28, 1988).

4 "Aspects," *op. cit.*, p. 8.

ample in 1988, SEDUE had fewer than fifty agents monitoring the U.S. *maquiladora* assembly plants located just inside the U.S.-Mexican border. In January of this year, however, that number increased to 200.

THE U.S. AND MEXICO: TOGETHER CLEANING THE ENVIRONMENT

Salinas's campaign to fight pollution has Washington's backing and is partly the result of increased environmental cooperation with the U.S. There have been eight U.S.-Mexican environmental agreements in the past ten years.⁵ They were designed primarily to protect the environment of the border areas and address the pressing problem of air and water pollution in Mexico's interior region. One of these was the 1983 Border Area Agreement, or "La Paz Accord," signed by Presidents Ronald Reagan and Miguel de la Madrid in La Paz, Tijuana in 1983. This accord committed both countries to clean the air, water and land along a 61-mile region on both sides of the 1,933-mile U.S.-Mexico border.

Out of this agreement came numerous U.S.-Mexico joint projects. One of those is the task force created in September 1989 between EPA and SEDUE to police environmental problems in the border region. In the past two years, SEDUE made 5,405 inspection visits to Mexican factories, shut down more than 1,000 polluting companies, and hired an additional 50 inspectors to police the border area.

According to EPA officials working on the joint SEDUE/EPA project, SEDUE enforcement has been strict.⁶ SEDUE in 1990 temporarily closed down several U.S. businesses in Tijuana that were violating Mexico's environmental and safety standards. An unnamed U.S. company operating in Juarez City, Mexico, was fined \$70,000 for violating SEDUE's regulations on emissions.⁷ SEDUE in the past six months shut down 70 plants on the Mexican side of the border for violating environmental laws.⁸

Comprehensive Plan. During their November 1990 summit meeting in Monterrey, Mexico, Salinas and Bush instructed their governments to devise a plan for controlling wastes and cleaning up the environment along the U.S.-Mexico border. After holding over seventeen public hearings in border towns in the U.S. and Mexico, the EPA and

5 Framework Agreement on Cooperation for Protection and Improvement of the Environment (Annexes I, II, III, IV, and V) (1983); Bilateral Agreement for Protection of the Environment along the Border (1983); Agreement for the Conservation of Wildlife (1983); Memorandum of Understanding between Mexico and the United States for the Creation of a joint committee on Wild Plant and Animal Life (1988); Memorandum of Understanding for the Creation of the Committee on Protected Areas in Mexico and the United States (1988); Cooperation Agreement for Environmental Protection and Improvement in the Mexico City Metropolitan Area (1989); Agreement to Improve the Quality of Air in Mexico City and Its Metropolitan Area (1990); Integrated Environmental Plan for the Mexican-U.S. Border Area (First Stage, 1992-1994) (1992).

6 Telephone interview with Kathleen Lohry, U.S. Environmental Protection Agency, December 4, 1990.

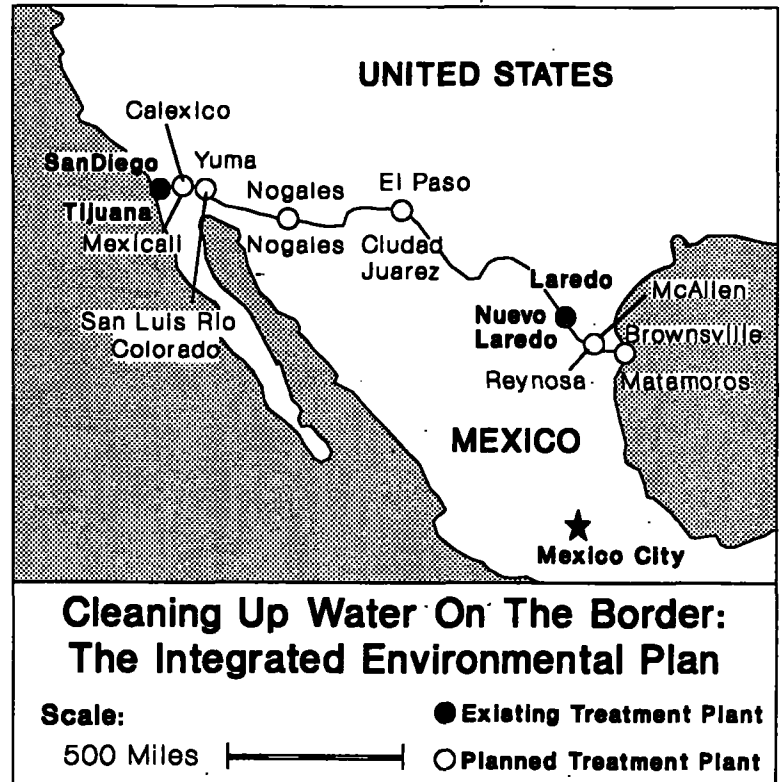
7 Telephone interview with Ron Pettis, Chairman of the Environmental Working Group of the Border Trade Alliance, December 3, 1990. SEDUE regulations do not require disclosure of a company's violation of environmental standards.

8 Environmental Protection Agency, Summary: Environmental Plan for the Mexican-U.S. Border Area; First Stage (1992-1994), p. 13.

SEDUE this February 25 issued their Integrated Environmental Plan for the Mexico-U.S. Border Area.

This plan lists the worst pollution problems in the area and sets priorities on how to solve them. It establishes funding objectives of \$1 billion for the next three years for projects to control industrial, municipal, and agricultural pollution in rivers and underground waters along the U.S.-Mexico border. It sets guidelines for protecting air quality and monitoring the use of hazardous materials. It formulates emergency plans for dealing with accidents involving hazardous wastes. And it calls for placing environmental protection in the hands of the private sector as much as possible.⁹

The Integrated Environmental Plan suggests that privately owned *maquiladoras*, assembly plants generally owned by U.S. companies and located on the Mexican side of the U.S.-Mexico border, construct their own waste treatment facilities and that state-owned waste disposal services along the border be privatized to make them more efficient.



Americans and Mexicans living along the border made it clear in the public hearings that they rank waste water treatment as their number one environmental priority. Joint U.S.-Mexico water treatment projects have been underway for several years. One is near Tijuana and San Diego while the other is near Nuevo Laredo, Mexico, and Laredo, Texas.¹⁰ Under the new Integrated Plan these projects will be continued, but new ones will added to clean the waste water in other border areas, including Mexicali, Mexico and Calexico, California; Nogales, Mexico and Nogales, Arizona; Matamoros, Mexico and Brownsville, Texas; Reynosa, Mexico and McAllen, Texas; Ciudad Juarez, Mexico and El Paso, Texas; and San Luis Rio Colorado, Mexico and Yuma, Arizona.

9 U.S. Environmental Protection Agency/ Secretaria De Desarrollo Urbano y Ecologia, Integrated Environmental Plan for the Mexican-U.S. Border Area (First Stage, 1992-1994), February 1992, p. I-6.

10 Jorge Haynes, "Economic Growth and the Environment," speech given at The Heritage Foundation, November 14, 1991.

Salinas's government has moved ahead with nature conservation as well. Mexico has 52 cooperative projects with the U.S. National Parks and Fish and Wildlife Services. These include protecting the migratory Monarch Butterfly at its wintering grounds in the states of Michoacan and Mexico City, and establishing the Vizcaino Ojo de Liebre Biosphere Reserve in Baja California Sur, a site where gray whales mate.

Meanwhile, the U.S. National Parks Service and private environmental groups such as Wetlands Conservation Council of America and the Mexico-Canada-United States Tripartite Committee have been working closely with the Mexican government and Mexican environmental groups to create 14,620,000 acres of protected lands in Mexico. This is roughly 3 percent of Mexico's national territory, and is designed to protect marine turtles, the migratory Monarch Butterfly, gray whale breeding grounds, migratory birds, and Mexico's tropical rain forests. Since 1987 the Mexican government, in cooperation with U.S. environmental authorities, has recovered 3.75 million acres of wetlands for conservation purposes. It is doubtful such a comprehensive program would have been executed so quickly without close support and assistance from the U.S.

TWO REASONS WHY FREE TRADE HELPS THE U.S. AND MEXICAN ENVIRONMENTS

Critics of the NAFTA argue that free trade will harm the U.S. and Mexico's environments. Ralph Nader's Public Citizen group thinks free trade will bring environmental devastation to Mexico because, the group claims, Mexicans are too poor to be concerned with pushing for the kind of high environmental standards found in the U.S. For its part, the Sierra Club fears that U.S. companies will escape strict U.S. standards by moving to Mexico where standards allegedly are lower. These and other groups fear that industrialization in Mexico without stiffer environmental regulations and enforcement will ruin the Mexican environment, while putting pressure on the U.S. to lower its environmental standards.

There are two reasons why the critics are wrong.

REASON #1: Free trade will stimulate economic growth, which is the best guarantor of a clean environment.

The critics are right to claim that free trade will stimulate economic growth in Mexico. It will attract foreign investment in Mexico's economy, generate profits from greater exports to America and Canada, create more jobs in the export industry, and institutionalize the free market reforms which the Mexican government started six years ago.

But the critics are wrong in arguing that economic growth harms the environment. In fact, economic growth is the key to cleaning up Mexico's environment. Poor countries have dirty air and water because their people are impoverished. Caught in the daily grind of surviving, poor people in Mexico and other underdeveloped countries worry far more about where their next meal is coming from than about the quality of the air and water. As countries become wealthier and develop a large and prosperous middle class of property holders, they take a strong interest in such matters as protect-

ing the environment. This middle class, in fact, is the backbone and main political constituency of the large environmental movements in America and Western Europe.

Mexico's economy has been improving since Salinas came to office in December 1988, and there is evidence that this has already begun to affect Mexicans' attitudes about the environment. A Gallup Mexico, Inc. poll conducted between last July 15 and 28 in 270 cities throughout Mexico, finds that over 60 percent of those polled believe that environmental protection should be the Mexican government's top priority. This share is almost double that of polls taken during the early 1980s when the Mexican economy was in deep recession and people were worried primarily about jobs.

Private Sector Activism. With the Mexican economy growing, the number of new grass roots environmental groups is growing. So, too, is the support for private sector environmental initiatives. Organizations such as the Group of 100, the Committee for Wildlife in Danger of Extinction, Naturalia, the Friends of Sian Ka'an, and the Mexican Ecologist Party are on the rise and are becoming more politically active.

This activism already has forced the government to take action: in 1986 the Mexican government created the Sian Ka'an wildlife refuge—1.3 million acres of mangrove swamps, and reefs along the Caribbean coast—after several private foundations and local farmers had developed a plan to protect the virgin area.

Protection of the environment requires more than a desire on the part of governments and individuals; it requires money. As the Mexican economy has grown during the past four years, the Mexican government has raised more revenue, even as it has lowered individual and corporate income taxes. In fact, the Mexican government enjoyed a budget surplus in the first six months of last year, its first in 50 years. With this revenue the government is funding the Border Integration Program, part of Mexico City's anti-air pollution program, and other environmental projects.

Economic growth also gives Mexican companies the resources to comply with environmental laws by cleaning up their pollution. When Mexican companies were heavily debt-ridden and on the verge of bankruptcy during the mid 1980s, it was difficult for the government to force compliance with environmental regulations. The government feared throwing people out of jobs if they closed polluting industries. Now those companies have less of an excuse to pollute and the government is less restricted in enforcing the environmental laws.

Preserving Rain Forests. The growth of the Mexican economy under a NAFTA also would prevent degradation of Mexico's rural lands. Every year 494,000 acres of Mexican jungle and forest are destroyed because rural Mexicans seek out a living in the way that their ancestors did a century ago, through what is known as "slash and burn" farming. This involves clearing and burning the underbrush of rain forests and jungles to prepare the land for cultivation. The free trade accord would help curb this type of farming by creating more jobs for Mexico's peasants in the manufacturing and construction industry.¹¹

11 This already is happening in the U.S.-Mexico *maquiladora* program, which gives special tax treatment to U.S. companies that locate their operations in Mexico. *Maquiladora* factories employ mostly Mexicans from rural areas of the country, thus relieving the already over-worked countryside.

A NAFTA will not only help protect Mexico's rain forests, but put pressure on the Mexican government to eliminate the inefficient and environmentally harmful policies of the state-run agricultural system, known as the *ejido*. The *ejido*, or collective farm system, controls almost all of Mexico's agricultural production. Under the *ejido* system, peasants work lands owned and regulated by the federal government. Last November, Salinas won parliamentary approval of his plan to allow private ownership of *ejido* lands and to reduce dramatically government control of agriculture. With more agricultural land in the hands of private farmers, there will be less overuse of the land, which under the *ejido* system has exhausted the soil and in some places made it barren. This occurred because the federal government mismanaged water resources and prevented private sector funding for more environmentally sound planting, irrigating, and fertilizing.

REASON #2: Free trade will foster closer ties with American companies and the U.S. government, which will result in higher environmental standards for Mexico.

Global environmental protection requires close cooperation among nations and international organizations. Protecting the environment in North America likewise demands that the U.S., Canada, and Mexico cooperate. America's growing commercial and political ties with Mexico during the past decade have not only persuaded many Mexican companies to improve their environmental record, but have increased cooperation between the U.S. and Mexican governments in cleaning the border areas between the two states. A NAFTA will further strengthen these ties first by increasing commerce between the two nations, and second by fostering closer cooperation between the federal and state levels of the U.S. and Mexican governments. Mexican companies and the Mexican government will be more likely to adopt U.S. environmental standards as they work more closely with their counterparts in the U.S.

Mexico's dramatic increase in enforcement, however, may not be healthy for its fragile economy. There are free market alternatives that stop pollution without harming economic growth. But the vast increase of Mexican government regulation at least proves that, partly because of U.S. influence, the Mexican government is not neglecting the environment, as some NAFTA critics charge. To the contrary, the Mexican government is taking tough and bold steps to clean the environment.

Importing High Standards. In the private sector, for example, most U.S. multinational companies adopt worldwide environmental standards at their facilities regardless of where they are located. A U.S. government Interagency Task Force Study, released October 15, 1991, by the Office of the United States Trade Representative (U.S.T.R.), states that "U.S. firms, particularly the larger multinational firms most likely to undertake large process industry investments [in Mexico], often hold subsidiaries to a worldwide standard, usually at least as high as standards with which they must comply in the U.S."¹² An example is Ford Motor Company, which has a policy of applying U.S. environmental practices in its automobile manufacturing plants in Mexico.¹³

12 "Review of U.S.-Mexico Environmental Issues," Prepared by an Interagency Task Force Coordinated by the Office of the United States Trade Representative, Draft, October 1991, p. 195.

For this reason, U.S. companies in Mexico have some of the best environmental records in that country, according to the American Chamber of Commerce in Mexico City.¹⁴ On average, moreover, the environmental performance of U.S. firms in Mexico is better than that of Mexican companies. This has created pressure from the Mexican government and Mexican workers to force the Mexican companies to adopt cleaner practices in the work place. U.S. companies also use cleaner technology, such as advanced smoke stack scrubbers, fuel mixtures that burn cleaner, and more efficient production processes that produce less toxic by-products. Mexican companies will have easier access to these technologies as their availability increases among U.S. companies working there.

Greater Cooperation. A free trade agreement will augment the U.S. government's influence over Mexico's environmental policies. The U.S.T.R.'s Interagency Task Force study concludes that "The NAFTA also may stimulate even higher levels of cooperation and commitment to address common environmental problems than would occur under a no-NAFTA alternative, and may offer a unique opportunity to explore technology transfer issues and to develop creative solutions to these problems. Indeed, in the absence of a NAFTA, Mexico may have less incentive to fully develop and enforce its environmental legal and regulatory regime...."¹⁵

In fact, Mexico's 1988 Law of Ecological Balance and Environmental Protection and other environmental decrees and regulations adopted by the Mexican government during the past several years by and large duplicate U.S. environmental law. Example: All new cars purchased in Mexico must be equipped with catalytic converters and must burn unleaded gasoline, as is required in the U.S. Example: SEDUE and EPA impose the same restrictions on the use and disposal of hazardous materials along the U.S.-Mexico border, and have similar limits for water emissions. This has occurred because of the close and cooperative relationship between Mexican and EPA authorities since the mid 1980s, such as the joint EPA-SEDUE policy efforts along the border, and informal meetings between EPA and SEDUE during the last two years that occur on almost a weekly basis. In addition, EPA has been closely advising SEDUE on regulations the Mexican agency is creating to enforce the 1988 environmental laws.

Dramatic Enforcement. The 1988 Mexican environmental law in fact is tough by U.S. standards. From March 1988 to December 1990 SEDUE performed 5,405 inspections nationwide, resulting in 980 partial closings of polluting factories, 1,139 temporary closings and three permanent closings. From January 1 to May 15, 1991, Mexico City alone had 275 plant inspections, 102 partial closing and 3 permanent closing.¹⁶ Enforcement has been so dramatic that many Mexican businesses have called SEDUE an "ecoterrorist" government agency.

With such tough environmental regulations and enforcement in Mexico, there is no reason for U.S. companies to move to Mexico to escape U.S. environmental standards. Mexican environmental regulations, moreover, require any company working within

13 *Ibid.*

14 Telephone interview with American Chamber of Commerce official in Mexico City, October 14, 1991.

15 "Review," *op. cit.*, p. 67.

16 Integrated Environmental Plan, Appendix A-2.

62 miles of the border to comply not only with all EPA standards, but with the local environmental laws of the U.S. Restrictions on hazardous waste usage and disposal prevent U.S. companies from moving to Mexico to enjoy lax standards. In the *maquiladora* program any U.S. company using toxic materials in Mexican plants must dispose of those materials or their waste by-product by shipping them back into the U.S. SEDUE civil penalties for violations include closure of the plant, an \$80,000 fine for first-time violators, administrative arrest for up to 36 hours, and criminal penalties of up to six years in prison and \$20,000 in fines.

Border Jumping. It is true that some American companies in certain regions of the U.S. have moved to Mexico to escape the unusually strict environmental laws of some local governments. Several dozen furniture makers based in Southern California, for instance, apparently moved their facilities in 1990 and 1991 to Tijuana, Mexico, while some furniture makers moved to other U.S. states, when new California rules set extremely low limits on the use of solvent based paints and stains. However, this does not represent a general trend, according to a study by the U.S.T.R.'s Inter-Agency Task Force.¹⁷

In fact, over the long term a NAFTA would help alleviate environmental problems in the most seriously affected regions, such as the U.S.-Mexico border. The border regions have grown rapidly during the past twenty years. This growth has occurred as U.S. companies relocate to Mexico to benefit from Mexican and U.S. tax incentives. These allow U.S. companies to avoid most Mexican and U.S. import duties on the goods they assemble in Mexico and then ship back to the U.S. Under a NAFTA, however, these border tax incentives gradually will be eliminated and the U.S.-Mexico border region will then become less attractive to U.S. companies. U.S. companies will receive those same tax benefits by locating anywhere in Mexico. This will encourage economic growth in the interior of Mexico and will, over the long term, reduce the benefits of locating in the already environmentally burdened arid region of the border.

CONCLUSION

The North American Free Trade Agreement will help the environment of North America. Free trade will stimulate economic growth in all countries, but particularly in Mexico, which is plagued by the typically high levels of pollution of an underdeveloped country. With the economic growth that follows free trade will come a greater awareness by Mexicans of the benefits of a clean environment. And with this greater awareness will come public demands for a cleaner environment.

This greater awareness in Mexico has already started. Mexican environmental groups are flourishing. The Mexican government has set aside large reserves for protecting endangered marine mammals and birds. And the government has set stricter limits on air and water emissions by industry and transportation sectors.

¹⁷ "Review," p. 194. The Trade Policy Staff of the Inter-Agency Task Force, during six public hearings held from August 20 - September 11, 1991, gathered data on the alleged movement of U.S. companies to Mexico for environmental reasons. They found these allegations to be untrue, except in the specific case of furniture refinishing companies relocating from Los Angeles to Mexico and other U.S. states.

The NAFTA will enable Mexico to build on the progress begun by President Salinas and clean up the Mexican environment even more. One reason for this is that the NAFTA will increase environmental cooperation between the U.S. and Mexican governments and companies. The result will be higher environmental standards for Mexican companies. U.S. companies with cleaner production methods are already located in Mexico. Their example puts pressure on Mexican companies to adopt similar standards.

Resolving Environmental Challenges. The Mexican government also will be more likely to work with the U.S. government on environmental issues after passage of the NAFTA. The reason: The good will created by the agreement will engender greater environmental cooperation. The NAFTA will also indirectly require the two governments to work together to resolve the environmental challenges of the increased economic integration caused by the free trade zone.

Since free trade certainly will raise Mexico's environmental standards, the U.S. need not fear an exodus of American companies to Mexico seeking to escape tougher U.S. environmental laws. Because of Salinas's campaign to clean the Mexican environment, and because of the higher environmental standards that have resulted from more economic growth, Mexico's environmental laws are now almost as strict as U.S. laws. And they will surely become even stricter as the American and Mexican economies become more closely integrated as a result of the free trade zone.

The best solution to Mexico's environmental problems is to become an advanced industrial democracy like the U.S. Poverty and economic underdevelopment are the environment's worst enemies. This is true not only in Brazil and Ethiopia and India, but also in the former communist states in Eastern Europe and the Soviet Union. A NAFTA will help eliminate this poverty, and with it, Mexico's legacy of environmental degradation.

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