

HIGHLIGHTS OF NAFTA FOR LABOUR AND THE ENVIRONMENT

NAFTA recognizes the importance of domestic and international environmental objectives. Specifically, the Agreement includes provisions which:

- ☐ preserve the rights of governments to set high environmental standards;
- ☐ affirm the rights of governments to protect the environment;
- ☐ this protection may conflict with other trade obligations but should not be discriminatory or take the form of trade barriers;
- ☐ establish that the trade-related obligations in certain international environmental agreements can override obligations in NAFTA;
- ☐ allow any panel established to address an environmental issue to have access to environmental expertise to help in its deliberations; and
- ☐ affirm that no NAFTA country could lower its health, safety or environmental standards in order to attract investment.

THE MEXICAN ENVIRONMENT: A DEEPENING CRISIS

Until recently, Mexico has not been a major market for Canadian environmental companies. In 1990, exports of environmental equipment and instrumentation to Mexico peaked at \$6.4 million, and fell to just over \$2 million the following year. But new markets are now beginning to emerge. These opportunities derive mainly from efforts by Mexican government authorities to strengthen regulation of the environment. Mexico currently lacks the environmental infrastructure, the manufacturing capability and the service industry needed to meet these new demands.

The contamination of the Mexican environment has already reached alarming levels. More than 25 percent of all industry is located in the Valley of Mexico, where excessive emissions, high altitude and temperature inversions combine to make Mexico City the most polluted city in the world. Forty percent of all air pollutants come from the country's three largest cities. About 58,000 tonnes of municipal garbage is produced daily, and controlled landfill sites are able to handle only about one-fifth of this volume. Some of the hazardous and clinical waste is disposed of illegally.

More than two-thirds of Mexico's 320 river basins are considered polluted. Municipal and industrial waste water treatment systems handle less than one-quarter of total discharges. Agricultural wastes contribute to the problem, and in some cases untreated sewage is used for irrigation, leading to serious health problems.

Public concern about environmental pollution has led to government action, most notably the *Federal Law on Ecological Equilibrium and Environmental Contamination* of 1988. This was followed by new enforcement mechanisms in 1992. But other government policies have made it difficult for many small- and medium-sized companies to comply. For example, a tight-money policy has dramatically reduced inflation, but has kept interest rates high. Also, trade liberalization, which has increased the competitiveness of Mexican industries, has exposed companies to aggressive foreign competition, and lowered their profit margins.

In spite of these constraints, substantial increases in demand for environmental equipment and services are expected to result from a combination of public projects and increased enforcement in the private sector. In the early stages of the national effort to gain control over the environment, the emphasis will be on consulting and training services. Thousands of environmental assessments and risk analyses will be required, and regulatory staff will have to be trained. As the process matures, the market will shift towards the provision of equipment for measuring and controlling environmental pollution.

