

Trade and the Environment: Dialogue of the Deaf or Scope for Cooperation?

- improving the GATT-based provisions setting out the environmental exceptions (article XX: b and g); and
- ensuring that the dispute settlement and institutional provisions are adequate to the task of resolving conflicts that may arise in the environmental area.

Once the negotiations are concluded, analysts will need to consider carefully the extent to which these efforts were successful in advancing the cause of trade-environment cooperation. At this stage, however, it must be accepted that the negotiating goals are modest since neither the intellectual capital nor negotiating experience is as yet sufficient to go much further. NAFTA represents, however, an important incremental step toward gaining both the intellectual capital and negotiating experience necessary for possibly more ambitious negotiations in the future.

In addition to devising better rules to resolve potential conflict between trade and environmental goals, environmental concerns affect the NAFTA negotiations in three other ways.

- Concern has been expressed about Mexico's capacity to enforce its environmental laws and regulations and the consequent threat that Mexico could become a pollution haven and a source of unfair competition. Mexico's capacity to enforce its laws – environmental or other – will be enhanced as it becomes more prosperous. To the extent that the NAFTA will increase trade and other economic opportunities, it should increase Mexico's prosperity and thus its enforcement capacities. Reaching an acceptable level of enforcement can be further enhanced by Canada and the United States through technical cooperation. By means of parallel discussions on environmental issues, Canadian and US environmental officials are working with Mexican officials to find the most effective ways to provide technical assistance.
- There is broad consensus today that the rapid economic development of the Mexico-US border region through the maquiladora program placed unacceptable environmental pressures on the region, particularly on its water supplies. This is largely an issue between the United States and Mexico and is being addressed bilaterally. The United States has to date committed \$700 million and Mexico \$500 million to phase one of an extensive clean-up program. Experts suggest that more may be required.³³
- Both Canada and the United States have committed themselves to conducting an environmental assessment of the agreement. This may prove a

³³ Gary Clyde Hufbauer and Jeffrey J. Schott, *North American Free Trade: Issues and Recommendations* (Washington: Institute for International Economics, 1992), pp. 144-146 offer a range of sensible suggestions on further steps than can be taken to clean up the border region.