

and environmental regulators can be accommodated within or alongside a trade agreement.

To set the stage, however, we must first dismiss any notion that Mexico has any interest in ignoring its environmental problems or in becoming a pollution haven. Mexico is determined to achieve as high a standard of environmental protection and clean-up as its economic circumstances will allow. The main impediment to moving faster and more thoroughly is money; a trade agreement offering higher prosperity remains a key ingredient in Mexico's long-term approach to environmental protection, a point noted by the National Wildlife Federation in the United States in its endorsement of the negotiations.<sup>30</sup>

As we have seen, the existing GATT-based international trade regime already provides a good basis upon which to resolve most conflicts between environmental and trade objectives. The rules, however, are not perfect and could benefit from clarification. For example, the international community has sought for more than thirty years to reach consensus on what constitutes a subsidy in order to develop more sensible rules about which kinds of government practices should be subject to the discipline of international subsidy rules.<sup>31</sup> Once agreement is reached on this central issue, it should prove possible to agree that certain kinds of government assistance aimed at promoting better environmental practices should be exempt from countervailing duties. Such a provision was included in the December 1990 Brussels text which was meant to conclude the Uruguay Round of GATT but disappeared a year later in the so-called Dunkel text, issued on the authority of GATT Director-General but reflecting a further year of negotiations.<sup>32</sup>

The NAFTA provides a further opportunity to strengthen and clarify the existing trade rules along similar lines. As a result, negotiators from all three countries are seized with the need to meet this objective. Their efforts are concentrated in three areas:

- ensuring that each country can maintain or create, as necessary, the highest environmental standards for traded goods compatible with their domestic requirements and international agreements, including all technical regulations and related approval procedures affecting human health, safety and environment;

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<sup>30</sup> Gary Clyde Hufbauer and Jeffrey J. Schott, *North American Free Trade: Issues and Recommendations* (Washington: Institute for International Economics, 1992), p. 131. Hufbauer and Schott provide a detailed account of Mexican environmental laws and policies as well as efforts to improve the enforcement of these laws on pp. 135-143.

<sup>31</sup> Michael Hart discusses the difficulties encountered in reaching consensus on international rules regarding subsidies in "The Canada-United States Working Group on Subsidies: Problem, Opportunity or Solution," Occasional Paper number 3, Centre for Trade Policy and Law (Ottawa, 1990).

<sup>32</sup> See the draft subsidies code in MTN.TNC/W/35/Rev 1 of December 3, 1990, pp. 83-134.