

ON ENVIRONMENTAL IMPORT CONTROLS...

Does NAFTA allow countries to forbid the import of goods that have been made using processes that damage the environment?

-- Investigations of the manner in which goods are produced would infringe on a country's sovereignty.

-- Canada would not appreciate environmental inspectors from other countries passing judgement on our practices. We respect other countries' sovereignty as much as we expect them to respect ours.

-- But NAFTA does provide for the establishment of working groups to launch co-operative projects on such issues as good manufacturing and laboratory practices.

Why didn't NAFTA provide for the use of countervailing duties to combat companies that cut environmental corners to make cheap goods?

-- Measures to reduce pollution are not normally expensive -- on average about two per cent of operating costs and one per cent of capital costs.

-- Imposition of a duty might not result in a change of practice. The industry may simply pay it, absorbing the duty as a cost of doing business.

-- The countervail also would not apply to sale of the industry's goods at home or to non-NAFTA countries. So its deterrent effect would be further limited.

-- The relationship between trade and environment is complex. Canada will continue to examine this issue in international forums and pursue co-operation with Mexico and the U.S. to upgrade standards and enforcement.

Why not impose an environmental duty to pay for enforcement measures, as some environmental groups have suggested?

-- The purpose of free trade is to eliminate barriers. A "Green Import Tax" would substitute one set of import duties for another.

-- A duty would also put NAFTA suppliers at a disadvantage relative to suppliers from outside the continent.

-- It would also discriminate against exporters when companies supplying their domestic markets should also bear the cost of environmental protection.