Canadian Studies Grant Programs

Corporate Silence: Environmental Disclosure and the North American Free Trade Agreement

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Canadian Embassy/Ambassade du Canada
Washington, D.C.
1997

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CORPORATE SILENCE: ENVIRONMENTAL DISCLOSURE AND THE NORTH AMERICAN FREE TRADE AGREEMENT

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ABSTRACT

On January 1, 1994 the North American Free Trade Agreement (NAFTA) came into effect, establishing the largest free trade zone in the world. NAFTA negotiations provided a public battleground for debate amongst diverse groups that included: governments, corporations, economists, labor organizations and environmental groups. As a result, the passage of NAFTA included side agreements on the environment and labor.

This paper investigates U.S. and Canadian corporate disclosure relating to the environmental issues of NAFTA. The U.S. and Canadian Disclosure databases which cover virtually all of the public companies in their respective countries were searched for a six year period, 1991 to 1995 for relevant disclosure. A total of nine references were found, indicating a profound lack of disclosure.

This paper then is a call for more environmental disclosure, broadly defined, in order to provide the public with the information it needs to act as agents to change our society for the better.

Key words: North American Free Trade Agreement, environmental disclosure, social contract

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> NAFTA is merely one element of a larger problem: the disintegrating effects of globalization on our mixed economy.
>
> Robert Kuttner, 1993

> All of this is being done silently - the trees are cut down silently and they are exported silently. No one knows anything; everything is hidden.
>
> Homero Aridjis,
> Director, The Group of 100
> as quoted in Ross, 1996

On January 1, 1994 the North American Free Trade Agreement (NAFTA) between Canada, the United States and Mexico came into effect. It established the largest free trade zone in the world, comprised of 360 million people and total economic production of more than $8 trillion (Fagan, 1993b). NAFTA has been touted as the greenest trade treaty ever written because it is the first international trade deal to explicitly consider the environmental impact of free(er) trade. Social interests, i.e., environmental and labor issues were publicly acknowledged to be affected by NAFTA and therefore, the passage of the trade agreement included side agreements on the environment and labor.

The negotiation and implementation of NAFTA presents an interesting opportunity to view the role that accounting does or does not play in the reporting of corporate environmental performance in a much disputed trilateral trade arena. This study utilizes the concepts of social contract (Donaldson &

Dunfee, 1994; Keeley, 1995) and a political economy approach to accounting (Cooper & Sherer, 1984) to investigate the extent of relevant disclosure produced by U.S. and Canadian companies during a six year period, 1991 to 1995.

This paper proceeds by outlining institutional arrangements, the nature of environmental laws and enforcement in Mexico, and the debates surrounding the negotiation of NAFTA. This is followed by a discussion of the social contract, a political economy approach to accounting and environmental disclosure. Next is an overview of the environmental impact after the implementation of NAFTA. A description of the data collection and results follows and then discussion and conclusions are offered.

INSTITUTIONAL ARRANGEMENTS, THE ENVIRONMENT AND NAFTA DEBATES

A study of the North American Free Trade Agreement provides a very rich context in which to view institutional arrangements and differing interests and concerns. Much of the debate surrounding the social issues of NAFTA reflects the vast disparity in standard of living and quality of the environment between Mexico on the one hand and the U.S.and Canada on the other.

To the north, the NAFTA is an outgrowth of the Canada-U.S. Free Trade Agreement implemented in 1989. To the south, NAFTA is an expansion of the U.S.-Mexico Maquiladora free trade zone which grew out of the Border Industrialization Program, a trade policy initiated in the late 1960s. Under this program corporations are allowed to import goods for manufacturing into Mexico on a duty-free basis and then export the manufactured product paying duty only on the value added (Middleton, 1994).

NAFTA discussions began in June 1990 when the U.S. and Mexico announced their intention to negotiate a free trade agreement and in October 1990 Canada joined the consultation (Grinspun & Cameron, 1993).

The formal negotiation of the NAFTA provided a public battleground for debate amongst diverse groups that included: governments, corporations, economists, labor organizations and environmental groups. The state of environmental regulation and enforcement in Mexico and the deplorable conditions in the maquiladoras served to fuel the debate.

The maquiladora industry has grown from 20,000 workers in 120 plants in 1970 to over 500,000 workers in 1,800 plants in 1990 (Mello, 1994). Such a massive industrial expansion (based on the exploitation of low wages) has resulted in horrendous environmental problems. For example, many Mexican border cities have no sewage systems. About 55 million gallons of raw sewage are diverted from Ciudad Juarez every day into open unlined canals that flow along the Rio Grande (*Economist*, 1995). And, these environmental problems are not stopped by the U.S. border. Cameron County, located in the Rio Grande valley has reported the highest rate of birth defects in the United States.

Between 1986 and 1991 there were 47 cases of anencephaly a condition where children are born without brains (Middleton, 1994).

Efforts have been made to address the environmental problems at the U.S.-Mexican border (Camillo, 1993, p. 40). A ten year Integrated Environmental Plan for the U.S.-Mexico Border announced by Bush and Salinas in 1992 has the U.S. government committing $208 million for environmental initiates during 1993. Central objectives of the plan include:

* Strengthen enforcement of existing laws
* Reduce pollution through new initiatives
* Increase cooperative planning, training, and education
* Improve understanding of the border environment

In general, Mexico's environmental regulation and enforcement has improved significantly in recent years. In 1988 Mexico implemented the General Law for Ecological Balance and Environmental Protection Act which is an overall legal framework that provides the basis for regulation and enforcement of pollution limits and standards (Stoub, 1994). Enforcement however has been problematic. Nevertheless efforts are being made. According to Rusk, (1992), during 1990 and 1991

> ...about 7,600 plants have been inspected for violations. About 2,000 of those inspected have resulted in plant closings until environmental standards were met. More than 100 factories, including the largest oil refinery in Mexico City, were closed permanently.

Since March 1992, Mexico has been in the process of re-issuing its existing 83 environmental standards and releasing 125 additional, new standards (U.S. Government, 1993). In 1992 a new semi-independent office for environmental enforcement, the Federal Attorney General for Environmental Protection was created. "This new office has implemented a highly professional and vigorous program of inspections, leading to increasingly tough enforcement follow-up when violations are discovered (U.S. Government, 1993, p. 35)." As a result, the enforcement budget went from $6.6 million to $77 million in 1992 and the number of border area environmental inspectors increased from 50 to 200 (U.S. Government, 1992). Unfortunately, these actions are described as only scratching the surface (Fagan 1993a).

In a 1992 article, Toledano outlines the environmental protection equipment in place in various industries in Mexico city. For example, there are 53 glass manufacturing plants and only one has dust collection equipment. Of 64 food and beverage manufacturers only two comply with ecological requirements.

It is this backdrop that set the scene for the debates surrounding the environmental impact of NAFTA. On one side were those that said that NAFTA could be used to cite environmental laws as unfair barriers to free trade, that NAFTA will not clean up the U.S.-Mexico border problem and that NAFTA will ruin Mexico with the influx of companies seeking a laxer regulatory environment (*New York Times*, 1993).

There are also those that say that NAFTA will lower the quality of the environment across North America to the lowest common denominator. Although Mexico has strong environmental laws, they are not well enforced and the view is that this will encourage American companies to move to Mexico to escape the more strict enforcement in the U.S. (*Globe and Mail*, 1993b). Supporting this view, Environmental Protection Agency Administrator William Reilly told a U.S. senate committee that 11 industrial sectors were identified

> ...in which environmental costs are high enough, and current trade barriers sufficient enough, that NAFTA could provide substantial incentive for relocating American facilities to Mexico (*Globe and Mail*, 1992).

Similarly, a report commissioned by the Ontario Ministry of Environment and Energy and written by representatives of the Canadian Environmental Law Association indicated that NAFTA will erode the ability of governments to protect the environment through tighter pollution laws (Mittlestaedt, 1993).

> The study predicts that the trade deal will lead to intense pressure on the three national governments and approximately 90 provincial and state governments in North America to lower environmental standards as each jurisdiction competes for investment.

A report by the Canadian government refutes this point of view by asserting that "There is likely to be minimal or no relocation of Canadian industry due to perceived differences in pollution abatement costs (Fagan, 1992, P. B3)". Likewise, in February, 1992 President Bush released the results of a review of the environmental effects of NAFTA which concluded:

> ...NAFTA will not encourage U.S. firms to relocate to Mexico because pollution abatement costs represent a small share of total production costs in most industries (U.S. Government, 1992, p. 3).

On the other side of the debate are those that say that NAFTA will raise the quality of the environment in Mexico by providing the following benefits (e.g., Camillo, 1992, p. 38):

* Increased access to international capital and technology will enable Mexican companies to purchase the latest in pollution control equipment and technology.
* An expanded tax base will enable the Mexican government to allocate more resources to environmental monitoring and enforcement.
* Higher living standards will make Mexico's citizens even less tolerant of pollution, and more likely to place a higher priority on environmental issues.

The argument offered is that richer countries enjoy higher environmental standards than poorer countries. Therefore, as national incomes rise so too should environmental quality. Globerman (1993) offers a few studies to support this claim.

However, not all would agree with this claim. In May 1993 a coalition of 80 environmental groups headed by the Canadian Environmental Law Association demanded that the Canadian government abandon NAFTA (Rusk, 1993, p. A4). Their news release said:

> NAFTA repeats the environmental mistakes of the FTA [the Canada-U.S. free-trade agreement] by accepting the growth-led development model which is accelerating our planet's demise.

The debate over NAFTA split environmental groups into the pro-NAFTA and the anti-NAFTA camps. Organizations such as the Sierra Club, Greenpeace and Friends of the Earth opposed NAFTA whereas such mainstream groups as the National Wildlife Federation, the World Wildlife Fund, the National Audubon Society and the Natural Resources Defense Council supported NAFTA (Nomani & Frisby, 1993).

There were also environmentalists "switching sides" during the debate. A representative of Friends of the Earth, involved with opposing NAFTA, switched sides during the NAFTA negotiation and joined the Clinton administration with the task of locating and coordinating support among environmentalists who support the accord. Frisby (1993) comments on this phenomena:

> ...the presence of so many former foes of NAFTA in the administration reinforces the public perception that Washington is full of hired guns capable of arguing any side of any issue.

Pressured by this debate, it was the U.S. government that demanded that a parallel agreement to NAFTA be drafted to control pollution from Mexican factories along the U.S. border and force Mexico to improve health and safety standards for workers (Davidson, 1993). As part of this parallel environmental agreement a tri-national commission was to be created to oversee the environmental provisions of NAFTA. The commission, known as the Commission for Environmental Cooperation has been set up in Montreal in order to "promote sustainable development, encourage pollution prevention and enhance compliance with environmental laws and regulation (McKenna *et al.*, 1994, p. A7)." The *Globe and Mail*, 1993b commented that the Clinton administration pushed for the establishment of this commission as a way to show the environmental groups that it was serious about the environmental side agreement.

The side agreement, known as the North American Agreement on Environmental Cooperation, was not singularly seen as a positive move. As the side agreement was being negotiated during the summer of 1993 both Canada and Mexico expressed concerns because of the threat that the side agreement posed to their national sovereignty (Davidson, 1993; Saunders 1993).

Thus, there is a dark side to the power conferred by trade agreements. Power is re-distributed from the people and their elected governments and allocated to the businesses who benefit from free trade (Nader, 1993). Swenarchuk (1992) points out the anti-democratic nature of trade agreements (p. 69-70):

> While environmental protection initiatives have often been achieved as a result of information becoming accessible to the public and a resultant rise of public concern and pressures for change, these initiatives are being thwarted by international trade agreements. The latter are negotiated in secret by business and government representatives without any particular environmental knowledge or concern, and without consultation with the public. They are implemented by non-elected national and international bureaucracies that are not responsible to an electorate or even known to the public. These two elements make the process fundamentally anti-democratic.

Fagan (1992a) echoes this sentiment by quoting a representative from one of the protest groups:

> This will not be an agreement for the citizens of the three countries. It will be an agreement for corporations and the conservative governments of the three countries.

NAFTA can be seen as a further means for the multinational corporations to gain power (Nader, 1993, p. 1):

> Operating under the deceptive banner of "free" trade, multinational corporations are working hard to expand their control over the international economy and to undo vital health, safety, and environmental protections won by citizen movements across the globe in recent decades.

Multinationals possess significant political and financial power that supersedes that power of nation-states in many arenas. Donaldson (1989, pp. 32-33) points out that:

> Nation-states are linked necessarily to specific geographic locations; multinationals are not. Nation-states, especially those with democratic political regimes, are often unwitting victims of the disorganization brought about by attempting to answer a plurality of domestic voices...The multinational firm, in contrast, can plan centrally and act globally. It acts unrestricted by the messy considerations of equity and democracy. Money not political ideology, empowers its decisions.

But surely under the notion of a social contract (Donaldson & Dunfee, 1994; Keeley, 1995) which emphasises duality and consensus, these multinational corporations need to be accountable for their actions. And this is where accounting and disclosure has some role to play.

SOCIAL CONTRACT, POLITICAL ECONOMY AND ENVIRONMENTAL DISCLOSURE

As described by Keeley (1995), the social contract is a metaphor, not a literal description, of how organizations and societies function. Use of the contract metaphor is a means to question received authority and established social arrangements. In contracts everyone counts. Therefore, one person's rights should count as much as another's. This does not devolve into a relativistic stance which exempts moral reason. Rather, social contracts are guided by a moral rationality.

Donaldson and Dunfee describe how moral rationality creates a free space whereby individuals (contractors) can create community norms, i.e., a local micro social contract. However, for the contract to be valid, individuals have to freely consent to participate. The contract is invalidated whenever coercion, broadly defined, is present. Also, in order for these micro social contracts to be valid they must be compatible with hypernorms, i.e., macro social contracts which are general moral principles.

The social contract tradition provides a framework to question organizational authority and whether it serves the interests of the many or the interests of few. It keeps the "Who gets what" question in focus (Keeley, 1995).

Following this notion of the social contract, corporations and like organizations must be responsive their stakeholders, i.e., those with whom the social contract is "negotiated" (Sethi, 1979). As a result, the organization becomes accountable, to one degree or another, to society. This argument based on the social contract resonates strongly with the Rawlsian arguments for environmental disclosure as offered by Lehman (1995).

Accounting, i.e., the reporting of corporate performance, becomes a mechanism for organizations to "speak" to their stakeholders (contracting parties). But accounting does not afford a neutral communication device. A political economy approach (Cooper & Sherer, 1984) makes three assumptions about accounting. First, accounting reports have effects on the distribution of income, wealth and power in society. Second, accounting does not take place in a vacuum but rather in a specific and institutional environment of the society in which it operates. Third, accounting needs to consider human agency, the potential of people (and thereby accounting) to change and reflect differing interests and concerns. This underscores the contracting capabilities of individuals in the context of the social contract.

In recent years there has been a push to have corporations report on their environmental performance. Those that support environmental reporting include: the Canadian Institute of Chartered Accountants (1994), Deloitte Touche Tohmatsu International (1993), Gray *et al.* (1993) and the United Nations Environment Programme Industry and Environment (1994). These calls are backed by several decades of exhortation for social responsibility reporting (e.g., Dierkes & Antal, 1986; and Ramanathan, 1976).

Environmental reporting is used here in a broad sense. It is meant to include environmental information published in annual reports and environmental information published in stand-alone environmental reports. As an example, of what environmental reporting encompasses, the United Nations Environment Programme report, *Company Environmental Reporting*, lists 50 reporting ingredients grouped into five broad clusters (p. 30):

(1) management policies and systems;
(2) an input/output inventory of environmental impacts of production processes and products;
(3) the financial implications of environmental actions
(4) relationships with environmental stakeholders; and
(5) the sustainable development agenda.

Only six of these 50 reporting ingredients involves quantifying the environment using dollar values. These ingredients are in the third cluster and include: environmental spending; environmental liabilities; economic instruments; environmental cost accounting; benefits and opportunities; and charitable contributions. Thus, much of the environmental disclosure includes non-dollar quantification of environmental impact or verbal description of policies, relationships and agendas. Thus, environmental reporting serves as a broad mechanism to open a dialogue (albeit flawed) between the corporation and its stakeholders.

This paper turns now to the environmental condition after the implementation of NAFTA and explores the corporate environmental response to NAFTA as seen by academics and the popular press.

AFTER NAFTA

One study by Kirton and Soloway indicates that as of April 1996, almost two and a half years after the implementation of NAFTA, there is no single comprehensive analysis based on the effects which NAFTA has had on the economic and environmental performance of the three NAFTA countries.

In another study on NAFTA, Weintraub and Gilbreath (1996) conduct interviews with five Fortune 500 corporations in the automotive parts and petrochemical manufacturing sectors. Based on these interviews they came to the following conclusions (p. 14-15):

* Certain Fortune 500 corporations operating in Canada and Mexico appear to be using (more stringent) corporate environmental standards rather than individual country standards. Uniform standards provide costs savings when new facilities are designed or old facilities are upgraded.
* Corporations in the petrochemical and automotive parts manufacturing sectors tend to spend only a very small portion of their capital on environmental infrastructure investments. (Although they admit that they are frequently unaware of the costs of environmental regulation because their internal audit procedures do not specifically account for these costs.)
* Investment decisions have been affected by NAFTA to the extent that corporations seeking to open or expand facilities in Mexico did not change their investment decisions in the aftermath of the peso devaluation. Their confidence in the ability of the Mexican economy to improve was based on the growing economic integration between the United States and Mexico.

Their first conclusions supports Yandle (1993, p. 8) who makes the claim:

> Since the Bophal disaster brought hard times to Union Carbide even though the firm was meeting India's standards, multi-national firms have taken a very conservative environmental stance. Rules of law cause them to base their foreign environmental standards on U.S. rules.

Their second conclusion brings up the dollar component of environmental accounting. This is the component that Cooper (1992), Hines (1991) and Lehman (1996) are so opposed to. Mello (1994) disagrees with the claim that pollution abatement costs are insignificant and counters that relevant costs are not included in the calculation. Here is an instance where "proper" accounting might show how significant the environment is and encourage some firms to move to Mexico. This may very well be a case of "What you don't know won't hurt you."

Very little can be found in the popular press on environmental issues surrounding U.S. or Canadian investment in Mexico after the implementation of NAFTA. Ross (1996) examines the relationship between Boise Cascade, a U.S. based Fortune 500 forest products company and Mexico. In 1995 the Mexican government signed a five year agreement with Boise Cascade allowing the company exclusive rights to buy from local forestry villages. Ross says (p. 22):

> The Boise Boys had good reason to smile, too. Their operations in the Pacific Northwest have been harried in recent years by thinning inventories, toughening environmental regulations, and dogged demonstrators.

Boise is one of 15 U.S. wood products companies to set up in Mexico since the ratification of NAFTA. Ross indicates the Undersecretary of Natural Resources in Mexico City conceded that his ministry never looked very closely at the Boise project in the first place. The relationship between Boise and Mexico is perhaps best summed up by the Director of "The Group of 100", Mexico's most prestigious environmental organization (Ross, 1996, p. 25):

> There is no control over the way our natural resources are being exploited...Permission is granted to these foreign corporations without environmental-impact studies. All of this is being done silently - the trees are cut down silently and they are exported silently. No one knows anything; everything is hidden. From our point of view, NAFTA represents ecological neocolonialism.

Clearly, at least from the point of view of this group, Boise Cascade has violated the social contract.

One newspaper article cites the failure of NAFTA to move industrialization from the environmentally troubled maquiladoras and spread it to the Mexican heartland (Nusser, Jan. 4, 1996, p. A17). In 1995, Mexico approved applications for 300 maquiladoras which is an estimated 80% more than the amount approved for 1994. Mexico changed is regulations in October 1995 so that companies no longer have to file detailed environmental impact statements. Because of the growth in the maquiladoras,

> Water in Tijuana is so scarce that the price is several times that in the United States. Shortages cut off residents' supplies, and tens of thousands of people living in slums have no running water at all.

The article quotes a lawyer for U.S. companies who says that Mexico's first priority is to attract industry to the border. "The second priority is to have the environment clean."

The *Wall Street Journal* (1995b) indicates that a Border Environment Cooperation Commission has approved two projects - a water treatment plant and a waste water treatment plant - and postponed three other water treatment projects at the border.

On the plus side, NAFTA has provided opportunities for heightened environmental awareness. Interestingly, not all of the pressure is being placed on Mexico. For example, the Natural Resources Defense Council in the U.S. has submitted a report to the Commission on Environmental Co-operation with an aim to improve Canadian logging practices (*Wall Street Journal*, 1995a). Another example, is the protest that Mexican grass-roots environmental groups are voicing about proposed U.S. radioactive waste sites for the border region (Noah, 1994).

Given the vocal public debate surrounding the environmental impact of NAFTA is would be reasonable to expect corporate disclosure addressing the issue.

DATA COLLECTION AND RESULTS

In order to study corporate environmental disclosure, text was drawn from the July or August version of the Canadian and U.S Disclosure databases for 1991 to 1996. These databases mainly contain business and financial information for the 1990 to 1995 fiscal year ends, respectively. This time period covers the NAFTA negotiation period and two years of implementation. The U.S. version of the database includes a file of business and financial information of over 12,000 public companies in the United States. The database is complied from documents filed with the U.S. Securities and Exchange Commission. The Canadian version contains financial and management information extracted from the corporate documents of more than 8,000 companies. Data coverage varies from full financial coverage to no financial coverage depending on the source of the data - four sources of coverage are utilized.

A multi-level search was made of the selected Disclosure databases. The first level selected all companies referring to the North American Free Trade Agreement or NAFTA. These results are shown in Tables 1 and 2.

Tables 1 and 2 Here

On a second level search this selection was reduced to companies that also made reference to the environment. On a third level search, this selection was further screened to eliminate references to the general business environment as opposed to ecological environment. This third level screening also deleted items that referred to the ecological environment but not in connection with NAFTA. The final result is a sum total of nine references made by seven companies (as per Table 3).

Table 3 Here

Only two of the seven companies, Noranda and Occidental Petroleum, could be considered multinational corporations. Because of the paucity of environmental disclosure relating to NAFTA, the text of the nine references is provided in Appendix A.

The nine references can be broken down into three groups. The first group view NAFTA as an opportunity to sell their environmental technology. There are four references that fit in this category: the two Mobley references, the Rust International reference and the CEM reference. This supports the view that NAFTA is a golden opportunity for environmental companies to sell environmental technology to Mexico (Noah, 1994). The second group of references deal in generalities surrounding the importance of the environment. The references that fit this category include: the two Noranda references, the Occidental Petroleum reference and the Export Development Corporation reference, i.e., the "big" players. The third group which includes the sole reference provided by Key Tronic actually discusses the environmental standards followed by the company in their Mexican operations.

Tables 1 and 2 indicate that even after adjusting for the number of companies included in the respective Disclosure databases, NAFTA in general is more of a issue for U.S. companies than for Canadian companies. When Tables 1 and 2 are compared to Table 3 it becomes evident that the environment is mentioned in only two percent of the references to NAFTA (9 divided by a total of 88 Canadian items and 347 U.S. items).

Surely, two percent grossly understates the portion of companies that are affected by the environmental issues associated with NAFTA.

In order to determine if information was being made available elsewhere via the public press, the Canadian national newspaper, the *Globe and Mail* and two U.S. newspapers, the *Wall Street Journal* and the *New York Times* were also searched for information on the environmental impact of NAFTA for the time period in question. What was found has largely been provided above. Thus, the public press as well as corporate disclosure contains very little relevant information.

DISCUSSION AND CONCLUSIONS

In view of the significant public dialogue surrounding the passage of NAFTA and the various interests that were involved in the dialogue, there is a profound lack of information to guide our way forward. Is NAFTA good or bad for the environment? What can we learn about the environmental impact of NAFTA to guide our policy making with the increasing globalization of business? Corporate disclosure and as well the public press are noticeable by their silence. The environmental impact of NAFTA appears to be a subject deemed "old news" by the press while financial disclosure seems bound to pursue "business as usual". One possible conclusion is that NAFTA has a relatively neutral impact on environmental quality so that there really is little to discuss. If this is the case then why the vocal, divisive and prolonged debate that led to the development of an environmental side agreement?

The questions posed above will not be answered here. Rather, this paper will conclude with a call for more environmental disclosure, broadly defined, in order to provide the public with the information it needs to act as agents to change our society for the better. If NAFTA does have a neutral environmental effect then that information needs to be provided to divert future debates and policy making to more critical areas. If NAFTA does not have a neutral environmental effect then that information needs to be provided for public consumption and action.

Because the NAFTA debate was not only about the environment but also about labor and living standards, a study of the effects of NAFTA might prove useful in determining the effects of free(er) trade on sustainable development.

A political economy approach asserts that accounting does not perpetuate itself in a vacuum. Rather in the case of the North American Free Trade Agreement and the environment, accounting has chosen to create a vacuum.

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Table 1

Canadian Disclosure Results

Year of Compact Disclosure	# of References to NAFTA
1991	3
1992	11
1993	12
1994	26
1995	24
1996	12

Table 2

U.S. Disclosure Results

Year of Compact Disclosure	# of References to NAFTA
1991	1
1992	11
1993	49
1994	126
1995	109
1996	51

Table 3

NAFTA Related Disclosure Pertaining to
Environmental Matters

Fiscal Year Ending	Country of Incorporation	Company
1991	U.S.	Mobley Environmental Services Inc.
1992	U.S.	Mobley Environmental Services Inc.
1993	U.S.	Key Tronic Corp.
1993	U.S.	Occidental Petroleum Corp.
1993	U.S.	Rust International Inc.
1993	Canada	Export Development Corporation
1993	Canada	Noranda Inc.
1994	Canada	Noranda Inc.
1994	U.S.	CEM Corp.

APPENDIX A

1991 Disclosure - U.S. - Mobley Environmental Services Inc.

Description of business: collects, treats, recycles and disposes a wide range of organic and inorganic hazardous and non-hazardous liquid industrial wastes; and also provides oilfield services.

Excerpt from President's Letter for the year ended 12/31/91:

Our prospects under a North American free trade agreement are indeed exciting. Mexico must demonstrate that it is serious about environmental protection to make free trade politically saleable in the United States. We'll be looking for ways to make strategic alliances in Mexico that will enable us to prudently participate in improving the environment in this rapidly developing country.

1992 Disclosure - U.S. - Mobley Environmental Services Inc.

Description of business: collects, treats, recycles and disposes a wide range of organic and inorganic hazardous and non-hazardous liquid industrial wastes; and provides oilfield services.

Excerpt from President's Letter for the year ended 12/31/92:

Cemex joint venture agreement concluded. The Company and Cemex S.A. de C.V. recently reached an agreement in principle to form a jointly-owned waste management company which will supply Cemex's kilns with waste-derived fuels. Cemex is the largest manufacturer of portland cement in Mexico and the Americas and the fourth largest in the world. Unlike our fuels supply agreements in the United States, we will create and own with Cemex a waste management company which will respond to the needs of Mexican industry with responsible, world-class technology for the management of organic waste materials. This association represent a significant partnership between Mexican and U.S. industry in the field of hazardous waste management. This joint venture agreement has been reached at the very time when this talented and energetic nation is advancing its environmental practices. We note with pride that this multinational company, with its exceptional management and stature, chose us on the basis of a very diligent get-acquainted process. All of this was against a backdrop in which our business from the Mexican maquiladora industry expanded significantly and the North American Free Trade Agreement talks put increasing pressure on environmental practices throughout our continent. Your Company has a 25% interest in this exciting new venture.

1993 Disclosure - U.S. - Key Tronic Corp.

Description of business: designs, develops and manufactures input devices, primarily keyboards for computers, terminals, and workstations.

Excerpt from President's Letter for the year ended July 3, 1993:

The Honeywell unit facilities-now called Key Tronic Southwest Operations-include a major plant in Juarez, Mexico, and a panel and component manufacturing plant in Las Cruces, New Mexico. A Thailand licensee produces and distributes in Asia. The well-managed, environmentally up-to-date Juarez plant could be a model for future facilities envisioned in NAFTA negotiations. It is also a practical complement-not an alternative-to the two high-volume, flexibly automated Key Tronic plants in Washington.

1993 Disclosure - U.S. - Occidental Petroleum Corp.

Description of business: explores for, develops, produces and markets crude oil, natural gas and natural gas liquids; provides interstate and intrastate natural gas transmission and marketing; and manufactures and markets a variety of basic chemicals, petrochemicals, polymers and plastics, and agricultural products such as phosphoric acid.

Excerpt from Management's Discussion and Analysis for the year ended 12/31/93:

The new GATT and NAFTA trade agreements also are expected to give a boost to the worldwide economy. On a global scale, health, environmental and safety issues are expected to continue to grow in importance.

1993 Disclosure - U.S. - Rust International Inc.

Description of business: provides engineering, construction, environmental and infrastructure consulting, hazardous substance remediation and other on-site industrial and related services.

Excerpt from President's Letter: for the year ended 12/31/93:

The passage of the North American Free Trade Agreement has also presented significant opportunities for which Rust is well positioned. The organization is playing an important role in Mexico's much-publicised environmental movement. Working in association with one of its WMX affiliates, Rust assisted Mexico's national environmental agency in the development of that nation's air pollution regulations and has been retained to investigate and design a system for the remediation of contaminated subsoils and groundwater underlying Guadalajara, Mexico.

1993 Disclosure - Canada - Export Development Corporation

Description of Business: Export Development Corp is Canada's official export credit agency. EDS's financial services include export credit insurance and related guarantees, loans to foreign buyers of Canadian goods and services and foreign investment insurance.

Excerpt from Letter to Shareholders for the year ended 12/31/93:

Two events occurred in 1993 which will encourage Canada's export growth. First, the North American Free Trade Agreement (NAFTA), came into being. This historic agreement creates the largest free-trade zone in the world, with a single market of more than 360 million people and a combined gross domestic product of U.S.$7.5 trillion. Such a vast marketplace dramatically increases export opportunities for Canadian business, particularly in the agrifood, telecommunications, transportation and environmental technology sectors.

1993 Disclosure - Canada - Noranda Inc.

Description of business: mines, smelts, and refines base and precious metals, including zinc, copper, nickel and gold; smelts aluminum and produces primary aluminum metal, aluminum sheet and foil, aluminum and steel automotive wheels and vinyl building products; manufactures and distributes steel wire rope; owns and operates pulp and paper mills, sawmills, panelboard mills, paperboard mills and corrugated container plants; produces natural gas, natural gas liquids and oil; markets natural gas; distributes propane; and develops, owns and operates cogeneration facilities.

Excerpt from Management's Discussion and Analysis for the year ended 12/31/93:

Noranda has been proactive in the ongoing debates discussing appropriate environmental regulations in all provinces and at the national level as well, affecting Noranda's business areas. Noranda continues its participation in a number of international business organizations dealing with trade and environment relationships, global environmental issues and environmental management systems applicable to Noranda. Environmental issues having a potential for non-tariff trade barriers are dealt with promptly and jointly with the global business community. In its participation in these debates, Noranda intends to make sure that its actions are responsible and that it fulfils its commitment to environmental protection. It can be expected that any future changes in regulations and in Noranda's own standards will have an impact on future operating costs of Noranda.

1994 Disclosure - Canada - Noranda Inc.

Description of Business: mines, smelts, and refines base and precious metals, including zinc, copper, nickel and gold; smelts aluminum and produces primary aluminum metal, aluminum sheet and foil, aluminum and steel automotive wheels and vinyl building products; manufactures and distributes steel wire rope; owns and operates pulp and paper mills, sawmills, panelboard mills, paperboard mills and corrugated container plants; produces natural gas, natural gas liquids and oil; markets natural gas; distributes propane; and develops, owns and operates cogeneration facilities.

Excerpt from Management's Discussion and Analysis for the year ended 12/31/94:

Noranda continues its participation in a number of international organizations which deal with trade and environmental relationships, global environmental issues and environmental management systems applicable to Noranda. Those environmental issues having a potential for non-tariff trade barriers are dealt with promptly and jointly with the global business community.

1994 Disclosure - U.S. - CEM Corp.

Description of Business: develops, manufactures, markets and services microwave based instrumentation for testing and analysis in industrial and analytical laboratory markets, such as moisture/solids analyzer, meat analyzers system, microwave washing systems, microwave sterilization systems and microwave digestion system.

Excerpt from President's Letter for the year ended 6/30/1994:

Apart from encouraging trade between two countries, the 1994 NAFTA agreement imposed much stricter environmental standards on many Mexican companies seeking to export products to the United States. As a result, laboratories across the border are finding demand rapidly increasing for a wide variety of sophisticated tests. Measuring the purity of waste-water, testing for hazardous materials in soil and identifying toxic organic matter are each procedures assisted easily, safely and quickly by CEM's microwave digestion and microwave extraction systems. Legislation designed to promote international business has thus proved successful in helping further broaden the interest in the science of Microwave Assisted Chemistry.