

Mexico and the NAFTA Environment Debate



The Transnational Politics
of Economic Integration

BARBARA HOGENBOOM

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ENVIRONMENT DEBATE**

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Preface

Only after having written one myself, have I come to realize how much work there is behind the innumerable books that are released year after year. As most writing is an individual activity, and writers work in silence and isolation, the efforts made remain largely hidden. Equally, a considerable share of the pleasure and satisfaction of writing remains hidden, although preferably a book should reflect these feelings of the author. I hope this one does. Another thing that is bound to remain largely unknown is the importance of all sorts of support from other persons. A preface is simply too limited and partly too public to fully express one's gratitude. This being said, I would like to shortly mention the most valuable contributions.

This book could not have been written without the fieldwork research in Mexico, the United States and Canada. Spread over four trips in three years, I spent in total more than six months in North America. During these visits I gathered a great deal of written material (documents, studies, newspaper and magazine cuttings), and interviewed over sixty persons in NGOs, government agencies, business interest organizations, and international organizations, while speaking to many more. I am very grateful to all the people who helped me in this respect, especially to those who, without knowing me, put their trust in me and allowed me to go through their files, or provided me with confidential information. In addition, these contacts gave me a sense of the real world of politics in each of the countries, and the influence of different cultures and perceptions.

The visits to North America also enabled me to establish numerous academic contacts. First, by presenting a part of my research at international conferences in Washington DC, Chicago and Toronto I received useful comments, which helped me further accentuate my ideas and analysis. Second, I had interesting discussions with several colleagues in the three countries, many of whom supported me by providing me with information and contacts. I am especially grateful to Sofia Gallardo, among other things for enabling me to make use of the facilities of the *Centro de Investigación y Docencia Económicas* (CIDE) in

Mexico City. Financial assistance for these visits was provided by the Dutch Organization for Scientific Research (NWO), the Faculty of Political and Socio-Cultural Sciences (PSCW) of the University of Amsterdam, and the Canada Foundation. Another organization I would like to mention here is the J.E. Jurriaanse Foundation, which financially supported this publication.

At home, in the Netherlands, I have experienced continuous and precious support from various persons. Alex Fernández Jilberto has been the supervisor I would have wished for. With his cheerful daily encouragement I have undertaken more activities than I had planned without delaying this book. Gerd Junne and Jean Carrière provided me with ideas for my research and gave me useful feedback on my writings. Several other persons read and commented on draft texts over the years. I would particularly like to thank Kees Biekart. Jolle Demmers not only read everything I wrote, she is also my great Mexico mate. Finally, as in everything I do, I have experienced the boundless love and support of Nic, Beatrice, Janneke and Pien.

List of Abbreviations

ACN	Action Canada Network
AMCHAM	American Chamber of Commerce of Mexico
APEC	Asia Pacific Economic Cooperation
ART	Alliance for Responsible Trade
BECC	Border Environmental Cooperation Commission
BEP	Border Ecology Project
CANACINTRA	<i>Cámara Nacional de Industria de Transformación</i> , National Chamber of Transformation Industry
CCE	<i>Consejo Coordinador Empresarial</i> , Coordinating Business Council
CEC	Commission for Environmental Cooperation
CFE	Comisión Federal de Electricidad, Federal Electricity Commission
CMHN	Consejo Mexicano de Hombres de Negocios, Mexican Council of Businessmen
COECE	<i>Coordinadora de Organismos Empresariales de Comercio Exterior</i> , Coordinating Organization of Business Agencies of Foreign Trade
CONADE	<i>Comisión Nacional de Ecología</i> , National Ecology Commission
CTC	Citizens Trade Campaign
CUFTA	Canada-US Free Trade Agreement
EDF	Environmental Defense Fund
ENGO	Environmental Non-Governmental Organization
EPA	Environmental Protection Agency
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
INAINE	<i>Instituto Autónomo de Investigaciones Ecológicas</i> , Autonomous Institute for Ecological Research
INE	<i>Instituto Nacional de Ecología</i> , National Institute of Ecology
ISI	Import Substitution Industrialization

NACE	North American Commission on the Environment
NADBANK	North American Development Bank
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organization
NRDC	Natural Resources Defense Council
NWF	National Wildlife Federation
OECD	Organization for Economic Cooperation and Development
PAN	<i>Partido de Acción Nacional</i> , National Action Party
PEMEX	<i>Petróleos Mexicanos</i> , Mexican Oil Company
PGE	<i>Pacto de Grupos Ecologistas</i> , Pact of Ecologist Groups
PRD	<i>Partido de la Revolución Democrática</i> , Party of the Democratic Revolution
PRI	<i>Partido Revolucionario Institucional</i> , Institutional Revolutionary Party
PROFEPA	<i>Procuraduría Federal de Protección al Ambiente</i> , Office of the Attorney General for Protection of the Environment
PRONASOL	<i>Programa Nacional de Solidaridad</i> , National Solidarity Programme
RMALC	<i>Red Mexicana de Acción frente al Libre Comercio</i> , Mexican Action Network on Free Trade
SARH	<i>Secretaría de Agricultura y Recursos Hidráulicos</i> , Ministry of Agriculture and Water Resources
SE	<i>Subsecretaría de Ecología</i> , Sub-ministry of Ecology
SECOFI	<i>Secretaría de Comercio y Fomento Industrial</i> , Ministry of Commerce and Industrial Development
SEDESOL	<i>Secretaría de Desarrollo Social</i> , Ministry of Social Development
SEDUE	<i>Secretaría de Desarrollo Urbano y Ecología</i> , Ministry of Urban Development and Ecology
SMA	<i>Subsecretaría de Mejoramiento del Ambiente</i> , Sub-ministry of Improvement of the Environment
SSA	<i>Secretaría de Salubridad y Asistencia</i> , Ministry of Health and Assistance
TNC	Transnational Corporation
UGAM	<i>Unión de Grupos Ambientalistas</i> , Union of Environmental Groups
UN	United Nations
US	United States
USTR	us Trade Representative
WWF	World Wildlife Fund

Introduction

In the night of 1 January 1994, the North American Free Trade Agreement (NAFTA) came into effect. With Mexico, the United States (US) and Canada, the NAFTA forms the largest regional trade block in the world. Proponents of the agreement claimed that it would encourage economic growth in each of the three countries, particularly in Mexico. The Mexican government presented integration in the North American market via liberalization of trade and investment as the only viable option for development. Other Latin American countries viewed Mexico's entry into NAFTA with anxiety, and hoped that the agreement would shortly be converted into a Free Trade Agreement of the Americas. In short, among proponents of economic liberalization NAFTA was perceived as Mexico's gateway from the Third to the First World, and it was presented accordingly.

That same night of 1 January 1994, an armed indigenous revolt took place in Mexico's southern state Chiapas. The revolting *Zapatistas* demanded democracy, land, and justice, and declared that Mexico's marginalized poor had nothing to gain from NAFTA. The peso crisis at the end of that year struck another blow to the myth of NAFTA's securing Mexico's development. Mexico proved not to be the trustworthy emerging market foreign investors had taken it for, and with fleeing capital its prospects for rapid growth collapsed. In the aftermath of this crisis, former President Carlos Salinas de Gortari did not obtain the expected chairmanship of the World Trade Organization (WTO). Instead, Mexico's architect of NAFTA is the first ex-president since the Mexican Revolution who has become an exile.

Indeed, Mexican extremes abound. To name just a few, social inequality is among the highest in Latin America. An abundance of natural resources is combined with the most polluted metropolis in the world. Despite an undemocratic, corrupt state system that is infiltrated by an increasingly powerful drugs mafia, Mexico is a major recipient of World Bank and other international credits. And this list can easily be extended.

Mexico's political system has heavily contributed to these extremes. Among this system's characteristics are a centralist government, a revolutionary ideology of national progress, corporatist relations with major social sectors, co-optation and repression of opposition, control of the media, and illegal election practices. In this context, the Institutional Revolutionary Party (PRI) has been able to govern Mexico for nearly seventy years, and has blended with the Mexican state into a hardly separable whole. This state-party system has dominated political representation at the level of civil society, and has largely resisted calls for democratization. It also allowed Mexico's political elite to follow a strategy of neoliberal economic restructuring that caused severe hardship among the Mexican lower and middle classes.

The ability of the PRI to absorb the political debate was also shown with the NAFTA plan. While the agreement was likely to have considerable impact on the country's future development, the NAFTA issue attracted only limited attention. Opposition parties and non-governmental organizations (NGOs) that protested against the NAFTA plan and attempted to initiate a nation-wide debate found that they were unable to compete with the pro-NAFTA propaganda spread by the government and the media. In contrast with the US, in Mexico NAFTA hardly became an issue of political mobilization.

Before we continue, it needs mentioning that the cracks in Mexico's state-party system seem to become larger and more numerous. The elections of July 1997 resulted in the end of the PRI's majority in the House of Representatives and the victory of left-wing opposition leader Chuauthémoc Cárdenas as the first elected mayor of Mexico City. These events point to a tendency of opposition parties' beginning to obtain some genuine political influence. It is nevertheless too early to assess how democratization will evolve, and at what pace. As Mexico's political system is based on numerous strong chains of economic and political interests, and the system is strongly interwoven with a cultural and historical background that reinforces undemocratic practices, institutional change is likely to be only the start of a long process of democratization.

— Assessing the effects of the NAFTA environment debate —

Although Mexico made a relatively early start with a formal environmental policy, for many years it was a low government priority. With minimal resources, enforcement of legislation was poor. On the other hand, the Mexican government adopted environmentalist discourse and encouraged the foundation of environmental organizations. These strategies to direct and control the growing environmental consciousness and concerns among Mexican citizens were

only partly effective. In the mid-1980s, the weak protection efforts of the government were increasingly criticized by environmental groups. The government was embarrassed by these attacks, in particular when they were linked with opposition to the political system. With a few limited policy improvements and subtle repression, the Mexican government attempted to silence protesting organizations.

The NAFTA plan led to a new dynamic in the political struggle over Mexico's environmental policy. Economically, rather than being something new the agreement implied a reinforcement of historical relations. Politically, however, this (first) case of a developing country entering an industrialized free trade zone met resistance. Especially in Mexico and the US, there was much concern about further economic integration of such unequal countries. Many environmental organizations worried about the impact of the expected rapid growth in Mexico, and about the effects on each of the three countries of free trade in a context of diverging levels of environmental protection. These diverging levels were also of concern to labour unions and protectionist forces in the US, fearing for unfair competition from Mexico-based industry. As a considerable number of members of the US Congress lent a ready ear to the demands of this heterogeneous group of NAFTA critics, Mexico's weak environmental policy enforcement turned into a major issue. The excessive ecological degradation and health hazards caused by rapid industrialization in Mexico's border region with the US proved to be the Achilles' heel of the Mexican government.

The Mexican government was thus faced with a completely new pattern of political pressure with respect to its environmental policy. NAFTA was an important project for the process of economic restructuring initiated by Mexico's political elite of technocrats. Critics of NAFTA were establishing transnational relations and their ideas had considerable political leverage. If NAFTA was to become real, this criticism had to be effectively dealt with. In contrast to previous environmental politics, on this matter the Mexican government did not stand alone, as the US government, and to some extent private sector organizations, also made efforts to respond politically to the issues raised. The transnational political interaction between and among the main critics and proponents of NAFTA with respect to environmental matters that took place between 1990 and 1993 is here termed the transnational NAFTA environment debate, or in short the NAFTA environment debate.

The central question this study aims to address is: *How did the transnational NAFTA environment debate affect environmental politics and policy in Mexico?* To answer this question, it is useful to distinguish between possible direct effects and indirect effects. First, the transnational debate itself might have affected politics and policy through changing views, interests, roles, relations and activities of

political actors. Second, the final outcome of the debate, the so-called NAFTA package, might have similar effects. Important political actors that need to be incorporated in this analysis are domestic and foreign government agencies, environmental and other NGOs, private sector organizations, and multilateral banks. The answer to the question of the NAFTA debate's effects on Mexico should provide a better understanding of the impacts of transnational politics in the context of economic integration, as will be explained below.

— The political economy of the NAFTA environment debate —

This study is linked to the wider discussion of the impact of globalization and regionalization processes on the control of citizens and governments over the course of economic, political, social, ecological and cultural developments. Although far from being a new phenomenon, globalization has over the past few years increasingly become the issue of political and academic debate. The most important reason for this recent attention is the changing nature of globalization due to the world-wide reevaluation of market forces over government control, after the international economic crises of the 1980s and the virtual disappearance of Communist regimes in the early 1990s. Presented as the recipe for renewed economic growth, the rise of neoliberalism has changed the character of globalization. While previously Keynesian models of development aimed at welfare by readjusting the market to public interests, neoliberal development models pursue almost the opposite. Within this context, market forces are increasingly adopted as leading principles for government policy, and rather than setting limits to the market, governments have become its major advocates.

Economic integration of countries and liberalization of the private and public sectors have profound effects. State structures are changing to become more responsive to international demands, while governments are increasingly reluctant to interfere in the market. In Mexico, the previous economic model and the legitimacy of the state-party system were cast in terms of national values and national development, whereas the current model is based on international values and international integration. World wide, economic and social relations are affected by increasing international competition and decreasing government protection. Socio-economic polarization has increased globally as well as within many countries since neoliberal economic restructuring has gone hand in hand with a loss of employment, real income and social security of smaller or larger groups within civil society. Resistance to these tendencies has had little impact as economic liberalization and a "reduced state" have been successfully presented as inevitable.

Though globalization is a commonly applied term, it does not seem to be an accurate designation to describe the currently dominant patterns of world-wide change. Whereas speculative capital indeed primarily seems to globalize, other flows do so to a far lesser extent. For information flows, languages and weak infrastructure still inhibit a truly 'world wide web'. Moreover, economic and political integration are predominantly regional processes. Trade in goods, foreign direct investment and plant relocation increase much faster regionally than globally. Also labour mobility is primarily regional. Regionalization is generally still a more efficient, easy and safe strategy for companies and governments than globalization. The primary reason for the greater success of regionalization is that, despite the emerging consensus on economic liberalization, global integration initiatives have proved to be laborious and slow. Economic liberalization has so far largely resulted in integration within regional blocks that compete with one another. As a consequence, for countries that are not inside the European, Asian or North American block, association seems urgent for future development.

Despite the evident importance of regional integration, regionalization is not a useful term to replace globalization for characterizing the above mentioned trends since it is too restrictive. From a political (science) perspective, more than the geographical reach the trend towards a growing external influence on domestic processes is crucial. In many political economy studies, this trend is called internationalization. However, in this book the terms transnational and transnationalization are used deliberately instead of international and internationalization. The reason for this is that in a political context 'international' sometimes refers to inter-state affairs or politics of states and international organizations. 'Transnational' is more extensive, including non-state actors and any cross-border relation, which are central to this study. Political transnationalization takes place when political debates increasingly surpass the national level and political actors expand their activities and relations to non-state and state actors in other countries. Transnationalization of a certain field of policy implies a process in which policy-making becomes based more on external ideas, interests and pressure than before.¹

1 The term transnational relations emerged in the 1970s, but lost its attraction in the early 1980s, when security issues came to dominate international politics. Since the end of the Cold War and the rise of other concerns, the usefulness of the idea of transnational political activity has been rediscovered. Currently, theorization of transnational politics is linked to discussions of the state, state-society relations, civil society and the intertwining effects of domestic and external factors (Peterson 1992: 371-5).

An assessment of the effects of the NAFTA environment debate is ultimately a case study of current global power structures and the possibilities for people to control their lives and their surroundings. Economic and political transnationalization renders the world more complex. Political transnationalization provides new avenues for influence, but these avenues are complicated as power structures become less clear. Simultaneously, environmental degradation requires a regulation of economic activities at the local, national and international level. Due to regional and global integration, economic processes become less controlled by the state, even more so because of the neoliberal character of current economic integration. As a consequence, national democratic mechanisms are losing their effectiveness, so far largely without being supplemented by structural avenues for citizen input at the regional or global level. Lessons in how to deal with limitations and options for citizen influence are therefore much needed. On the other hand, in the case of a country with an authoritarian political system like Mexico, transnational relations may also allow for new avenues to achieve democratization.

— Structure of this study —

As mentioned above, this study centres on the question of how the transnational NAFTA environment debate affected environmental politics and government policy in Mexico in the period 1990-1993. Focusing on the transnational NAFTA politics from the Mexican perspective, this book does not analyse the whole NAFTA process in the US and Canada. Since US NAFTA politics were decisive for the regional process, much reference is inevitably made to what happened there, but to support the analysis of transnational processes, and without the intention of being complete. Assessments of the Canadian NAFTA process are only included when they help to provide insight into the regional NAFTA processes, or if they are of special interest for Mexico. As Canadian actors were selective in their interests in the NAFTA debate, in some sections of this book they are only briefly touched upon.

While Mexico's environmental policy is an important issue of analysis, this study focuses on the interaction between transnational and national politics. The environmental policy of the Mexican government is thus primarily of interest as the outcome of political struggle, both at the national and the transnational level, and serves as a tool for understanding political change. A problem with assessing Mexico's environmental policy is its incoherency. As a result of the lack of priority given to ecological degradation by the Mexican government, there has been a considerable gap between policy on paper and in prac-

tice. In many instances, implementation of legislation and formal programmes has been weak, and actual efforts and results are hard to estimate.

Effects of the transnational NAFTA environment debate could be expected at any domestic political level, but this study is predominantly concerned with Mexico's federal politics and policy. Evidently, many initiatives for environmental protection stem from lower levels of government, as well as outside the government from citizens and NGOs. Here, the focus is on effects at the federal level, because of Mexico's centralist political system and the generally central responsibility of the state in environmental protection.

The information used for this study has been derived from different sources: documents from government agencies, NGOs, private sector organizations and other institutions that were produced in the NAFTA environment debate, information gathered in over sixty interviews with persons who were involved in the debate, and studies by other scholars. Information from interviews provided interesting background information and sometimes salient details. Interviews with Mexican government officials and other insiders proved useful to fill some gaps caused by the lack of useful and reliable documents of government agencies. As many interviewees requested or expected confidentiality, reference will be made not to their name but only to their position and the date of interview. Annex 1 gives a list of the interviewees' affiliations and dates of interview.

Prior to the analysis of the NAFTA environment debate, this book starts with two extensive introductory chapters on the Mexican context: one on the political economy of neoliberal restructuring, and the other on the evolution of environmental politics and policy. Chapter 1 describes the economic and political restructuring process that started during the presidency of Miguel de la Madrid Hurtado (1982-1988). Pushed and encouraged by multilateral banks and the US, and under pressure of a sequence of economic and financial crises, the Mexican government gradually came to adopt an economic liberalization strategy. Restructuring also occurred at the institutional level and within Mexico's political elite, where a group of young technocrats came to dominate. Under President Carlos Salinas de Gortari (1988-1994) these changes were consolidated, and their implications began to become clear. In particular, impact on presidential power, electoral processes, and avenues for political participation of social sectors and NGOs will be analysed.

In chapter 2, the evolution of environmental politics and policy in Mexico is reviewed. From the early 1970s until the early 1980s, the environment was of concern to a fairly limited number of scientists and NGOs, and government measures were largely symbolic. This changed with the administrative and regulatory reforms of President de la Madrid and his programme for popular mobilization on the environment. The combination of growing environmental

activism and weak policy performance caused major political tensions in 1988. President Salinas would subsequently aim to obtain an environmental image. Apart from providing a historical background, this chapter describes the situation of Mexico's environmental politics and policy at the time the NAFTA environment debate started.

Quite unexpectedly, President Salinas and President George Bush announced in June 1990 that their countries were pursuing a free trade agreement, an initiative that was joined a few months later by Canada. With the Canada-US Free Trade Agreement already in force, and the limited Mexico-Canada ties, the plan was expected largely to serve Mexican and US interests. Apart from some expected losers, several US economic sectors and large Mexican companies were expected to gain from free trade and investment flows. Chapter 3 studies not only the interests linked to the NAFTA plan, but also the early critical environmental assessments of the plan. Trade and investment liberalization were expected to increase and to change production and consumption patterns. Moreover, a free trade agreement limits environmental policy freedom since environmental measures may hinder trade flows. Especially the issues concerning Mexico will be addressed.

Chapter 4 studies the organizations that brought the environment into the heart of the NAFTA debate. In late 1990, Mexican, US and Canadian NGOs started to criticize the NAFTA plans, and found sufficient common ground to establish transnational relations. These relations were an important source of information and supported NGOs in exploring the environmental issues linked to North American free trade. In a few months' time, environmental organizations in the three countries developed a list of concerns that they wanted addressed in the trade negotiations. This first, exploratory phase of the NAFTA environment debate lasted until May 1991, when environmental organizations were split into a moderate and a critical camp. As we shall see, a strategic move by the Bush administration caused a lasting division among US environmental organizations, which would have considerable transnational consequences.

The environmental critiques received considerable media, public and political attention, and when numerous members of the US Congress proved susceptible to environmentalist ideas, NAFTA proponents needed to react. Bush's strategic response involved a promise to deal with some of the environmental concerns and bought temporary support from Congress. From then onwards, the Mexican and US government speeded up bilateral border projects, while working together to improve Mexico's image in the US. Chapter 5 analyses these efforts and the arguments developed by NAFTA proponents that the agreement would not harm the region's environment nor the rights of governments to stringent environmental policy. Transnational environmentalist criticism

thus provoked the major actors behind the NAFTA plans to develop a transnational position on the environment too. Moreover, a strong transnational lobby was set up.

Chapter 6 deals with the second and third phase of the NAFTA environment debate. It explains the clash between environmental NGOs and NAFTA proponents on the environmental provisions of the trade agreement and the environmental side agreement. An overview will be provided of the total set of environmental arrangements incorporated in and linked to the agreement, and the reactions to this NAFTA package. The immediate effects of the NAFTA environment debate on Mexico and on the contents of the agreement are also analysed in chapter 6. Mexico's environmental politics and policy changed considerably during the NAFTA debate, and an assessment is made of the influence of the NAFTA debate on these changes.

Finally, in the concluding chapter we return to the question of the effects of the NAFTA environment debate on Mexico's environmental politics and policy. This discussion concerns not only the immediate impact, but also the broader implications over a long time span. The most essential elements of the NAFTA environment debate, the NAFTA package and the changes in Mexico's environmental politics and policy are reviewed from the perspective of the economic and political restructuring process that Mexico gone passed through over the past years. This final analysis provides an understanding of the fundamental ways in which economic integration and transnational politics were linked, and how the transnational debate may affect Mexico's future.