

Transnational NAFTA Support and the Environment

The previous chapter has described how Mexico's weak environmental policy enforcement and other environmental issues were raised by *ENGOS* with respect to *NAFTA* preparations. While some environmental criticism could have been expected, the Mexican and US governments were not prepared for an important role of environmental issues in *NAFTA* opposition, nor for the strong resistance to the agreement in the US. As Mexico's entry into *NAFTA* ran the risk of being hampered by US Congress, and various major interests depended on its passage (see 3.1), strong support and lobbies for the agreement followed.

This chapter analyses the reaction of *NAFTA* proponents to the criticism of *ENGOS*. In the first section, we review the main political actors that performed pro-*NAFTA* activities. Besides several government agencies, after some time numerous private sector organizations in the US and Mexico became involved, and the World Bank did as well. As has been explained in chapter 1, the relations of the Mexican government with the US government and the World Bank had been extended and improved prior to Mexico's decision to join the North American free trade zone. Similarly, the domination of technocrats in the Mexican government had contributed to increasing participation of private sector organizations in economic policy. Cooperation of *NAFTA* proponents was thus mainly an extension of existing relations.

An important issue that had to be tackled by proponents of *NAFTA* was the environment. During the first phase of the *NAFTA* debate, they hardly reacted to questions and critiques from environmental organizations. President Bush's May 1 (1991) commitments marked the end of this phase and the start of the second phase of the debate. Through speeches, documents and press releases the governments presented their position on environmental concerns linked to *NAFTA*. The second section of this chapter analyses this view as expressed in the main *NAFTA*-related documents. In addition, plans were presented to improve environmental protection through cooperation, especially in the border region. In chapter 6, we will look into the reactions of environmental organizations to these views and plans, and analyse the struggle over the contents of *NAFTA*.

— 5.1 NAFTA proponents and transnational relations¹ —

Whereas transnational relations between environmental organizations in Mexico, the US and Canada had been limited before the NAFTA debate, proponents of NAFTA could build on existing cross-border ties. Mexico's involvement in US politics, however, was new. Until then, bilateral activities had predominantly been an affair of government agencies, but NAFTA enhanced a public debate in the US. Here, we will first look at the Mexican political actors that actively supported NAFTA, before reviewing the major Mexican and US lobbies for NAFTA in Washington DC. This section ends with an analysis of the transnational relations between NAFTA proponents.

ACTIVE NAFTA SUPPORT IN MEXICO

In Mexico, the main force behind the NAFTA plans was the government, or more precisely the technocrats that dominated Salinas' cabinet. This new political elite presented NAFTA as a logical and inevitable undertaking. By stressing the failure of the old model they aimed to dwarf the influence of nationalist *políticos* and their ideas, as these had still leverage in the PRI. At a presentation of the results of the NAFTA negotiations (17/VIII/93), for instance, Trade Minister Jaime Serra Puche claimed that a return to the ISI model was not viable because of its lack of competition, resulting in insufficient efficiency and an insufficient increase of employment and salaries. Serra Puche stated that globalization was the best option for modern economies.

Control by technocrats had increased under Salinas as economic management became a highly presidential field of policy. A pro-free trade policy was also eased by a previous institutional shift, namely the creation of the Ministry of Commerce and Industrial Development (SECOFI) in 1983. As compared to the former trade ministry, more free trade proponents were recruited (Pastor and Wise 1994: 478). Besides SECOFI, the Ministry of Finance, banks, financial institutions and development banks were important supporters of NAFTA within the Mexican government (Poitras and Robinson 1994: 12). Interestingly, despite the technocrats' dominance Mexico insisted to exclude the traditional national activity of oil extraction from NAFTA, and made reservations with re-

¹ The analysis in this section is partly based on information collected in a number of interviews with persons working in or with government agencies and private sector organizations in Mexico, the US and Canada.

gard to the liberalization of a few other activities (e.g. banking and other energy activities). Although these reservations might be interpreted as a concession towards certain nationalist pressures within Mexico's political system, it is likely that among technocrats too there was concern about losing control of these important sectors, regardless of their general support for free trade.

As mentioned in chapter 1, technocrats had better relations with the private sector than their predecessors, and granted more influence in policy-making to a few organizations that represented Mexico's business elite. This elite also became involved in the NAFTA process after the Mexican government requested business organizations to set up a special coordinating private sector agency. Headed by the business council CCE, the Coordinating Organization of Business Agencies of Foreign Trade (COECE) was created in 1990. It represented eleven major business organizations. Financial capital played a leading role in the coordinating organizations, and like the CCE, COECE over-represented the interests of large companies (Pastor and Wise 1994: 481; Puga 1992: 129).

The central task of COECE during the preparation and negotiation of NAFTA was to handle communication between the private sector and Mexico's negotiators. It did well in this respect and attained an unprecedented degree of communication and cooperation among Mexico's private sector (Bustamante 1991). Mexico's Trade Minister Serra Puche (1992) declared that his team and COECE cooperated in a "constant manner" during the preparation and negotiation of NAFTA.² During the negotiations of the trade agreement (not the supplemental agreements on the environment and on labour), COECE also assisted SECOFI in providing information and drafting technical proposals. Officials of SECOFI and COECE cooperated in a working group that commissioned numerous sectoral NAFTA assessments. While the trade ministry was thus served with useful input for the negotiations, key players in COECE obtained valuable foreknowledge of the details of NAFTA (Pastor and Wise 1994: 480-1; Poitras and Robinson 1994: 17).

Officially, private sector participation was also enabled through the government's creation of the Advice Council on the Free Trade Agreement. This council was supposed to channel the participation of labour, agriculture, academic and business sectors, but it did not play a significant role in developing

2 Both COECE's president Juan Gallardo Thurlow and executive director Guillermo Güemez were known to have close relations with Mexico's business sector and government. Gallardo, who was close to Trade Minister Jaime Serra Puche and Mexico's chief negotiator Herminio Blanco Mendoza, was continuously kept informed on the advances in the NAFTA negotiations, and even acted as an important spokesman on the negotiations for the press (*La Jornada* 30/v1/93).

Mexico's position in the NAFTA negotiations. It is nonetheless important to note that the business sector's representation in the council consisted of four members of CMHN (the small group of largest capitalists) and five persons who were linked to COECE. Apart from this over-representation of large companies, labour was clearly under-represented with only three representatives.

The Mexican business elite's participation in the preparation and negotiation of NAFTA was unprecedented, but should not automatically be equated with actual political power. Both in the literature and in interviews with Mexican government officials, there were three different accounts of the interaction of Mexico's government and business elite during the NAFTA process. First, there were claims that private sector representatives had a prominent role in the NAFTA negotiations, and that in many areas negotiations were even led by them (cf. Morris 1995: 81). Second, it has been argued that Mexico's NAFTA entry was a state-led process, and that private sector organizations had a merely advisory role (cf. Poitras and Robinson 1994: 17). Third, there were accounts that formal consultation remained poor, but that personal contacts between high government officials and powerful individuals in the private sector became closer (cf. Teichman 1993: 188).

Evidence suggests that Mexico's NAFTA discussions and negotiations were completely government-controlled, but that the government allowed both a formal and informal input from the business elite. The fact that through COECE within less than two years there were over 1,000 meetings between government officials and businessmen, whereas business representatives participated actively in NAFTA negotiations via the so-called side room (staying outside the trilateral negotiations, but discussing the developments immediately afterwards with the negotiators), shows that consultation of the private sector on NAFTA was considerable and that business representatives sometimes had more than an advisory role (Puga 1994: 8). This unprecedented political role of Mexico's business elite, however, was granted, not gained, and could therefore easily be reversed. In addition, this intensified cooperation was restricted to a relatively small group of large companies, leaving many companies with even less access to government than before.

MEXICAN NAFTA LOBBIES IN THE US

In the context of considerable resistance to free trade with Mexico in the US, Mexico's government and business elite actively lobbied for NAFTA in Washington DC. In January 1991, a special NAFTA office was created in the Embassy of Mexico to represent SECOFI in the US. The task of this office was threefold.

First, it aimed at creating a direct liaison between NAFTA efforts in the two countries. This marked a definite shift from the previous Mexican attitude to the US, when Mexico did not want such direct relations. The NAFTA office became the centre of Mexican lobbying in Washington, conveying reasons why NAFTA would be good for the US. Second, during the negotiations the NAFTA office was involved in performing research on possible effects of the agreement. This research was necessary to provide the negotiators with specific, detailed information. The third activity of the office was dealing with US critics of NAFTA. In each of these three tasks the NAFTA office was relatively free, and when necessary it could act relatively independently from SECOFI, which is unusual by Mexican standards. In 1991, SECOFI also created a NAFTA office in the Embassy in Ottawa. This office was important for establishing new relations with private sector organizations in Canada, but was less active in performing studies and lobbying for NAFTA than the office in Washington.

The NAFTA lobbies of the Mexican government in Washington were impressive. The director of the NAFTA office remained in close contact with Trade Minister Serra Puche, Mexico's ambassador to the US, and Mexico's key lobbyists. SECOFI hired numerous well-connected lobby firms as well as former US officials, some of whom had been influential in the early NAFTA preparation process in the 1980s or attained high positions under Clinton.³ The amount of money spent by Mexico on NAFTA-related activities from 1991 to 1993 was approximately \$28 million. Compared to other foreign lobbying campaigns, Mexico "mounted the most expensive, elaborate campaign ever conducted in the United States by a foreign government" (Centre for Public Integrity 1993: 1). However, the Mexican lobby for NAFTA was a sensitive political issue in the US. Ross Perot, for instance, accused the Mexican government of "buying Congress". Therefore, the NAFTA office put considerable effort into making its lobbies acceptable and ensuring that they would not jeopardize NAFTA support in Congress. As we will see in the next section, one of the government's lobbying activities involved spreading positive information on Mexico's environmental policy.

Mexican private sector organizations also lobbied for NAFTA in Washington. COECE's US operating budget for promoting free trade amounted to over \$0.5 million from April 1991 until October 1992. Among other things, a well-connected trade expert was hired to lobby for NAFTA in Congress, and various

3 The report of the Centre for Public Integrity (1993) gives a detailed overview of the careers of key persons hired by Mexico to lobby for NAFTA. These persons often combined public jobs and private positions, not seldom secretly.

working visits for US congressional staff to Mexico were sponsored. Most of these trips had a broad focus. They included meetings with Mexican government officials working in environmental departments as well as with many others. A few of the trips focused on the environmental issue (Centre for Public Integrity 1993: 26-9).

Another Mexico-based organization that promoted support for NAFTA in the US was the American Chamber of Commerce of Mexico (AMCHAM). It represented US and Mexican companies as well as others producing in Mexico. AMCHAM supported NAFTA through a number of initiatives in which the environment was actively addressed. Letters were written to Congressmen informing them of the policy progress made, and AMCHAM held several conferences on environmental issues in Mexico. Instead of hiring a lobby firm, a few AMCHAM staff members performed some lobby activities in Washington. In addition, the chamber performed studies that addressed some of Mexico's environmental problems and policy, and environmental advances made by its member companies. Reports of these studies were presented in the US and used to support the pro-NAFTA case (cf. AMCHAM 1993).⁴

US NAFTA LOBBIES

Starting in early 1991, when it became clear that there was limited support for NAFTA in US Congress, the US government lobbied hard for the trade agreement and its supplemental agreements. The Bush Administration aimed at an expert consensus that NAFTA was a win-win situation in order to prove opposition wrong, particularly on the labour issue, and numerous studies were performed by think-tanks like the conservative Heritage Foundation and the liberal Brookings Institution (Moody 1995: 103). Simultaneously, USTR and EPA initiated several assessment studies of NAFTA's environmental effects, as will be described in the second section of this chapter. Despite President Clinton's decision on supplemental agreements to NAFTA, he also had to undertake major lobbying efforts to secure sufficient congressional support, eventually involving expensive deals with doubting members of Congress (see 6.2).

⁴ Apart from the evident interests of AmCham's members in NAFTA, the environmental issue was also addressed for another reason. Several of the companies organized in the chamber (and member of its Environment Committee) hoped that NAFTA would stimulate Mexican and US public investment in large environmental and infrastructural projects.

All US economic sectors that stood to gain from NAFTA lobbied in Washington, and a range of private sector organizations were busy promoting NAFTA. The Business Roundtable, the Council for the Americas, the US Chamber of Commerce, the US Council of the Mexico-US Business Committee, Trade Partnership, the National Foreign Trade Council and the National Association of Manufacturers were the most important organizations. In the beginning, the US private NAFTA proponents focused their attention on Congress and US negotiators.⁵ They aimed at influencing the contents of the agreement in order to ensure that the agreement would be as liberal as possible. When the agreement was signed in the summer of 1992 they shifted their efforts towards the public as it became clear that the anti-NAFTA alliance received widespread popular support. In addition, these groups wanted to prevent Clinton's supplemental agreements from harming free trade. In their view, environmental provisions could be easily abused for protectionist reasons.⁶

US TNCs producing in Mexico were prominent in USA*NAFTA (US Alliance for NAFTA), an umbrella organization of large companies that promoted NAFTA both at a state and a federal level in the US. Through formal and personal relations these firms kept in contact with NAFTA developments while attempting to convince both the public and members of Congress that NAFTA would be in the interest of their state, the US and North America. For each US state USA*NAFTA appointed a so-called captain, that is a corporation head who tried to convince the public and small companies of the benefits of NAFTA. Practically all these state captains were on the list of the 500 largest US companies, and the vast majority of them already had a base in Mexico. Most of them were also involved in the NAFTA preparation process through their representation in advisory committees of USTR (Anderson, Cavanagh and Gross 1993: 1-3).⁷

5 With respect to the congressional vote on fast track authority (see 4.2), for instance, the Business Roundtable, the Association of US-Mexico Businessmen of the Council for the Americas, and the Chamber of Commerce encouraged their members to show Congress their support.

6 Besides promotion activities, some studies were carried out. For instance, the U.S. Council of the Mexico-U.S. Business Committee (1993) financed a study on the environmental requirements in the border region.

7 However, according to Douglas Harbrecht (in *Business Week* 04/X/93: 37), USA*NAFTA was far from successful in its undertaking. "Understaffed, disorganized, and without a clue as to how to conduct a grassroots campaign (...) USA NAFTA is still flailing about (...)".

THE WORLD BANK

Finally, the World Bank had encouraged Mexico's economic restructuring (see 1.2), and was very much in support of NAFTA. According to the World Bank (1993: 7), "NAFTA's long-term impacts on Mexico, as the integration with larger markets to the north and the expedited modernization of the economy take their course, would have major secondary effects as well, on poverty reduction, the environment, human resource development, rural and urban development, (...) and political development. Many of the changes would be positive (...)". The Bank argued that non-ratification of the agreement could lead to falling investor credibility and questionable credibility of Mexico's economic policy.

The World Bank played a small but significant role in promoting NAFTA's passage in the US. Through reports, statements and political contacts the World Bank actively supported NAFTA. Besides the World Bank's general policy of encouraging trade liberalization, its position on NAFTA was also influenced by US interests. Especially shortly before congressional voting on NAFTA ratification in 1993, US interests became dominant in the Bank's NAFTA activities. As we will see in chapter 6, the announcement of an unprecedented environmental loan package of the World Bank for Mexico was largely the result of US pressure.

TRANSNATIONAL PREPARATION OF NAFTA

The relations between the proponents of NAFTA were intensive, in particular in Mexico and the US. Obviously, the governments, predominantly their trade ministries, met constantly while preparing and negotiating the trade agreement and later on the side agreements. But as US and Mexican private sector organizations became actively involved in creating sufficient NAFTA support, the totality of relations of proponents had a transnational character. Pro-NAFTA business had easy access to Salinas' government and the Bush administration, and to a lesser extent to the Clinton administration. The relations between pro-NAFTA US business and the Mexican government were especially strengthened. Mexico's NAFTA office in Washington DC proved to be of great importance for developing relations between the Mexican government and US Congress, US and Mexican business organizations, and on environmental issues also with the seven major moderate ENGOs in the US (see also 4.2). The Mexican government and Mexican private sector organizations encouraged US business organizations and NGOs to support NAFTA. In the beginning, however, US business organizations did not like to work with the NAFTA office openly because they feared

being attacked for cooperating with the Mexican government. There were also good relations and regular meetings of Mexican and US private sector organizations.

Free trade proponents had worked on Mexico's entry in the North American market from the early 1980s onwards (see 3.1). During this early preparation process, relations were extended and cooperation intensified, and gradually a common discourse emerged. The latter was reflected in numerous documents, publications, statements and press releases in support of NAFTA, which mainly used the same language and set of arguments, despite their different sources. Apart from regular Capitol Hill activities, NAFTA proponents also aimed to define argument and debate, so-called deep lobbying, as we will see when we review their position on environmental issues. In this context, the leading voices of the US press took a pro-NAFTA stand (*Washington Post* 27/06/93; *Extra*/January/February 1993: 10-2). Particularly during the last few months before US Congress voted on NAFTA ratification in November 1993, hundreds of lobbyists and officials worked actively to make sure that NAFTA would pass through Congress. These pro-NAFTA activities were well coordinated through weekly meetings of government officials, private sector representatives and hired lobbyists (*National Journal* 30/10/93: 2595).

Despite strong transnational relations, major efforts of the US and Mexican governments, and the largest North American panbusiness effort ever, NAFTA did not get through US Congress easily (see 6.2). Some argued this was due to a late start of extensive lobbying by US business organizations. Another explanation is that the pro-NAFTA alliance could not produce proof of one single tangible US issue that would improve with NAFTA (*Mexico & NAFTA Report* 28/10/93: 2; *The Wall Street Journal* 25/04/91: A16). This setback stemmed from the expectation that only large companies and a few economic sectors in the US stood to gain considerably from trade and investment liberalization, while labour and environmental opposition to the agreement was influential.

The transnational relations of NAFTA proponents shifted over time, as will be described extensively in chapter 6. Under Bush, the US private sector attended congressional hearings but was less involved in the public debate since the president held similar views on what NAFTA should look like. Clinton's plan for supplemental agreements, however, clashed with the position of all the other proponents and caused tensions within the alliance. Mexican business had tighter and more constant relations with its government, but hardly an independent approach on NAFTA. In the end, the interests of all proponents merged again in ensuring the ratification of the NAFTA package, which required a strong joint effort. The NAFTA experience thus formed the basis for increased and new political and economic cooperation between Mexican and US actors as

well as between Mexican and Canadian government agencies and business organizations.

As a result of the NAFTA environment debate, contacts on environmental matters between trade ministries, environmental ministries, business organizations and moderate ENGOS increased nationally and transnationally. Within the private sector cross-border initiatives for the environment were set up, such as the cooperative programme between the U.S. Council for International Business and the Mexican Confederation of Chambers of Industry (CONCAMIN), which focused on training (USCIB 1993). The relations between Mexico's NAFTA office and moderate US environmental organizations were reported to be friendly, which comes as no surprise in the light of the organizations' position on NAFTA and their interests in Mexico (see 4.2). Chapter 6 further analyses the transnational relations that emerged in the NAFTA environment debate. In the rest of this chapter we will review the position of NAFTA proponents on trade-linked environmental issues.

— 5.2 Proponents' position on environmental concerns —

Shortly after Mexico and the US signed a declaration advocating free trade, the link between trade liberalization and environmental protection became an issue of transnational debate. As described in the previous chapter, ENGOS in the US questioned the environmental implications of free trade with Mexico. In particular, organizations on the border with Mexico spread information on the disastrous environmental damage that had resulted from earlier trade liberalization with the US (the *maquiladora* sector). This criticism received widespread media attention and had political leverage. Next, Mexican concerns over NAFTA and its possible environmental effects attracted attention in the US. Only a few months after the official declaration on free trade between Mexico and the US, Mexico's lax environmental policy developed from a low-priority political issue at the domestic level into a high-priority issue in North America.

After the first phase of the NAFTA debate, when environmental criticism was expressed, proponents rapidly started to present their views and ideas on trade and environment. In the second phase of the debate, proponents attempted to prove critics wrong with two main arguments. First, they claimed that the link between trade and environment is generally positive. Second, they maintained that NAFTA would help to solve specific Mexican environmental problems through an increase in financial resources and an increase in North American cooperation on the issue. In addition, in order to improve Mexico's image in

the US, proponents pointed to the recent policy progress that had been made (see 6.3).

In the context of a general strengthening of transnational relations during negotiations, the joint effort of NAFTA proponents on the environmental issue was strong, and a transnational pro-NAFTA position came into being with respect to environmental effects. Initially, the reaction to environmentalist criticism was predominantly a governmental affair, with which major private proponents agreed, and only at a later stage would private sector organizations become involved. In this section we will look at the position of NAFTA proponents regarding the links between the trade agreement and Mexico's environmental policy. Here, the focus will be on the second phase of the NAFTA debate, lasting from May 1991 until October 1992. First, we will see how the reaction of NAFTA proponents fitted into the more general claim that free trade is positive for environmental protection. Second, we will review the most important pro-NAFTA documents on environmental issues. Finally, ideas of NAFTA proponents on the Mexico-US border region will be discussed. Chapter 6 discusses the reactions of environmental organizations to the position of NAFTA proponents, and analyses how the debate was shifted again by the decision to negotiate a supplemental environmental agreement.

POSITIVE TRADE-ENVIRONMENT LINKS

The position of NAFTA proponents with regard to Mexico's environmental policy was in the first place based on general arguments that free trade is beneficial for the environment. Trade liberalization produces more economic growth, and economic growth allows better environmental protection, the basic reasoning goes. In the NAFTA debate, depending on the speaker, the occasion and the audience, the positive relation between trade and the environment was presented either as a simple and automatic cause and effect or as a more complex interaction. Mexico's Trade Minister Serra Puche stated simply in the Mexican Senate (17/VIII/93) that the more developed a country, the cleaner its environment. Social Development Minister Donaldo Colosio (who was also responsible for Mexico's environmental policy) stated that "free trade and a better environment go hand in hand ... [and] a North American free trade zone would increase sensitivities to the environment ..." (Border Assembly 25/VI/92). President Salinas argued more cautiously that trade liberalization is an opportunity for better environmental protection that needs to be supported by a good policy (*International Wildlife* Sept-Oct 1992). Similarly, the Bush administration maintained that "[w]hen coupled with environmental sensitiv-

ity [...] policies which stimulate economic growth are an indispensable element in improving environmental protection" (USTR 1992a: 223).

A first argument used for underpinning the idea that free trade is good for environmental protection is that free trade enhances access to and resources for advanced technologies and manufacturing processes that pollute less and use natural resources more efficiently. The abolition of trade barriers renders the import of foreign technologies, like other products, cheaper and easier, while investment liberalization stimulates new investments in economic modernization. Above all, the argument goes that increased economic growth stemming from liberalization would provide the public and private sector with more resources for environmental protection.

A second argument behind the idea that free trade benefits environmental protection is that trade liberalization helps the environment by enabling economies of scale, encouraging specialization and competition, and increasing the choice of locations for industry. Because of these tendencies productivity will rise and efficiency will grow (cf. World Bank 1992b: 66, 68). Combined with the help of new technologies, products may be produced with less natural resources and energy. Finally, there is an argument that increased economic growth as a result of free trade may give rise to more political pressure for environmental protection. With increasing incomes people are more likely to shift their attention from subsistence to other issues. "As incomes rise, the demand for improvements in environmental quality will increase" (World Bank 1992b: 39). With respect to fast track authority, the Bush administration argued accordingly that rejecting NAFTA would not be in the interest of a new environmental approach in Mexico. "The Government of Mexico will be less likely to get support from most Mexicans for environmental protection if they are struggling to find work or are eking out their existence" (U.S. President 1991: 1).

The first argument—increased resources and technology through growth—was the most prominent in the position of NAFTA proponents regarding Mexico's environmental policy. According to the US government, Mexico had shown a strong commitment to protecting its environment, and "the major remaining obstacle to improved environmental quality in Mexico is not standards or enforcement but the availability of economic resources" (U.S. President 1992: 5). NAFTA would deal with the problem of resources as "NAFTA-led growth will generate substantial resources, providing funding for environmental projects and enforcement of environmental laws and regulations" (SEDESOL, undated a: 1.5). In the words of Salinas, "[o]nly through widespread prosperity can we have the resources to channel toward the protection of land, air and water" (Government of Mexico, undated b). In short, proponents presented NAFTA as a solution to Mexico's environmental policy weaknesses.

NAFTA proponents opposed ENGO proposals to include an arrangement for environmental funding in the trade agreement. Linking environmental protection to trade (e.g. cross-border trade taxes) would create new trade barriers, thereby countering liberalization. The Mexican government maintained instead that “[a] strong Mexican economy is the best way of creating resources for environmental improvement” (SEDESOL, undated a: 1.6). Another reason behind this resistance was that the inclusion of environmental funding in NAFTA implied that such an arrangement would also apply to any new country entering the trade bloc.

Taken together, the perception of positive trade-environment linkages is characterized by a great faith in the good of economic growth and technology. Economic growth would bring technologies and prosperity, rendering growth sustainable. Environmental protection was thus predominantly presented as a money problem for which economic expansion would provide the solution. The notion that economic growth, due to more production, consumption and transport, is likely to produce additional ecological damage was largely rejected. Instead, “President Bush and President Salinas believe that the two [i.e. sustained economic growth and environmental protection in both countries] are complementary and must be pursued together” (U.S. President 1991: tab 4-1). We will return to this point when reviewing ideas on the Mexico-US border region.

MEXICO’S ENVIRONMENTAL POLICY AND NAFTA

The first major political defence against environmental criticism on NAFTA was President Bush’s May 1 commitments to US Congress (see 4.2). Bush promised that a few environmental concerns would be included in the trade negotiations, and that a review would be made of US-Mexico environmental issues. However, environmental relations would predominantly be dealt with bilaterally, outside NAFTA. As we saw in the previous chapter, the May 1 commitments shifted the NAFTA environment debate from raising and exploring issues by environmental organizations and other groups to a discussion between ENGOs and the US and Mexican governments on how to integrate environmental arrangements in the trade agreement. The contents of Bush’s commitments caused a split between moderate and critical environmental organizations, which would have a decisive effect on the course of the debate. The commitments were also an important demonstration of the reluctance to turn the environment into an integral issue for negotiation. The commitments signalled that the North American economic integration plan was not open to fundamentally considering environmental concerns.

With the support of moderate US environmental organizations, US Congress granted the government fast track authorization. However, critical as well as moderate groups continued to put pressure on the negotiators, and Congressional hesitation on NAFTA remained. Worries about job losses and weak economic sectors prevailed in the US, but environmental issues contributed to the opposition. Convincing the public, NGOs and Congress that trade and investment liberalization would not affect the environment in a negative way became a lasting task of NAFTA proponents.

US government reports that followed after May 1991 dealt with Mexico's environmental problems, its environmental legislation and the advancements made in policy performance. These reports tended to focus on the border region, and will therefore be reviewed later. Even the review of US-Mexico environmental issues (USTR 1992a) turned out to deal largely with border concerns. An exception to this border bias was EPA's *Evaluation of Mexico's Environmental Laws and Regulations*. In the report, EPA (1991: 45) concluded that "Mexico's environmental laws, regulations and standards are in many respects similar to those in the United States" and that Mexico had a strong commitment to environmental protection. This legislative similarity between the US and Mexico's environmental policy was often repeated by proponents of NAFTA. A lack of adequate resources was the critical factor behind Mexico's weak monitoring and enforcement of compliance, according to EPA.

In Mexico, the SEDUE initially performed an environmental impact study of NAFTA, possibly inspired by the US plans for an environmental review. Compared to other publications by the Mexican government on NAFTA and environmental protection, the draft environmental impact report was remarkably informative rather than propagandistic. Whereas other documents mainly reported on the great progress made, this study summed up how economic development had damaged the environment in the past, and how the growth of production and trade due to NAFTA could harm Mexico's environment in the future. The following sentence would be unthinkable in any of the other publications distributed by the Mexican Government: "The chemical and engineering industry are especially aggressive for the environment, but this is even more so when its processes are technologically backward and when equipment for the control of emissions is lacking, as is the case in the majority of these industries in Mexico" (SEDUE undated: 3.5, my translation).

However, the draft study was never revised or released. According to an insider in Mexico's environmental politics, the study was covered up because it contained too much evidence (in particular through its data) that NAFTA would cause major environmental damage in Mexico (Mexican ENGO source 18/VIII/93). The US environmental review referred to the forthcoming Mexican

environmental review for an extensive treatment of the environmental impact of growth in Mexico away from the border, since the US review was mainly restricted to the border region (USTR 1992a: 5). With mounting transnational criticism and opposition, however, the Mexican government feared that the draft's information could be used by opponents to stop NAFTA, and was therefore set aside.

The Mexican government's political defence of NAFTA against environmental criticism aimed to counter its poor image in the US. Speeches, press releases and publications all stressed recent progress in environmental policy performance, if necessary by providing unreliable figures.⁸ Sergio Reyes Lujan, Sub-Minister of Ecology and later on president of the National Ecology Institute, attended many meetings in the US to inform participants on the progress of his policy, such as the new environmental standards, the number of plants inspected, and the increasing environmental budget (see 6.3). Also the new structure of environmental government agencies in 1992 (replacement of SEDUE by the Ministry of Social Development, SEDESOL) was presented as an important means to improve Mexico's policy implementation. Through Mexico's embassy and NAFTA office in Washington DC, brochures in English were distributed in the US (cf. Embassy of Mexico 1992; Government of Mexico, undated a and b). The ambassador wrote letters to Congress members, for instance to the influential Democratic NAFTA opponent Richard Gephardt (*Inside U.S. Trade* 10/VII/92), to convince them of Mexico's commitment to sustainable development. In addition, lobby firms and former officials were hired to make brochures, press releases, public statements, and to make presentations at Congressional Hearings.⁹ In these image-building activities, much reference was made to the environmental awards won by Salinas: the Earth Prize in 1991, and the World Conservation Leadership Award in 1992.

While Mexico could rightfully point to policy progress, symbolism was another ingredient of its image-building activities. An illustration of this was the permanent closure of Mexico City's largest (PEMEX) oil refinery at Azcapotzalco in March 1991, at the time that fast track authority for NAFTA negotiations was heavily debated in the US. Both inside and outside Mexico, the closure was presented as a proof of the government's determination to combat air pollution in the capital, and it was repeatedly mentioned in NAFTA-related documents.¹⁰

⁸ As we shall see in greater detail in section 6.3, the so-called Fact Sheets of the Embassy of Mexico (1992) contained unreliable data on Mexico's environmental budget.

⁹ For instance, the lobby firm Burson-Marsteller, which received \$5.4 million from SECOFI, produced thousands of copies of the brochure entitled "Protecting the Environment" to improve Mexico's image (Center for Public Integrity 1993: 20).

According to official sources, the closure of the refinery cost about \$500 million and 5,000 jobs, and was expected to reduce industrial air pollution by 15 per cent (SECOFI 1993: 75). However, the fact that the plant was reassembled in the industrial city Salamanca without additional environmental equipment was not made public (*Los Angeles Times* 17/11/91: A18).

In Mexico itself, where pro-NAFTA propaganda was strong and environmental criticism received little public attention, much less of an effort was made to weaken arguments of ENGOS on NAFTA. The environmental issue was largely dealt with through some remarks of government officials which were reproduced in the media. SEDUE's successor SEDESOL did produce an "informative file" on NAFTA and the environment, but it consisted of a hotchpotch of agreements, statements, and texts from unclear sources (SEDESOL undated a). Compared to the brochures made for the US, the quality of the informative file was poor.

The US private sector hardly reacted to the environment debate until late 1992. The reason for this was that Bush's approach of largely excluding environmental issues from the trade negotiations satisfied the private sector, which felt no need for an independent environmental lobby. On the other hand, through the NAFTA-enhanced relations with the EPA and moderate ENGOS, US business organizations were not excluded from early in-door discussions. After Clinton's plan for supplemental agreements, US business organizations extended their activities with regard to the environmental debate to more public initiatives. They believed that NAFTA-linked environmental arrangements should be based on cooperation, not supranational policy. They supported claims that NAFTA by itself would be beneficial for environmental protection, and argued that stringent safeguards would be abused by protectionist actors (6.3).

A politically important academic report in the NAFTA environment debate was that by Grossman and Krueger (1991) of Princeton University. The paper was prepared for a conference on free trade between Mexico and the US that was sponsored by SECOFI. As it pointed to possible positive effects of NAFTA on Mexico's environment, the paper attracted considerable attention. In fact, it was adopted as the scientific evidence of the position of NAFTA proponents. For a discussion paper, it was remarkably often quoted.¹¹

10 I came across this example in: Embassy of Mexico (1992: 32); SECOFI (1993: 75); U.S. President (1993: 36).

11 The occasions in which I found Grossman and Krueger's paper quoted are: Embassy of Mexico (1992: 38, 41); Government of Mexico (undated a: 9); U.S. President (1992: 5); U.S. President (1993: 76); by EPA's Alan Hecht at the Washington Environmental Industry Association's annual conference, 09/IX/93: 6; by EPA's administrator William

The most quoted part of the Grossman and Krueger paper is its first section, that deals with the relation between GDP and three air pollutants: sulphur dioxide (SO₂), smoke and suspended particulates. This analysis is based on data from 19 to 42 cities (depending on the pollutant) in the world, none of which are Mexican. The authors found that sulphur dioxide and smoke stop rising with increasing economic growth when a country reaches a per capita income level of about \$5,000. They subsequently conclude that "economic growth tends to alleviate pollution problems once a country's per capita income reaches about \$4000 to \$5000 US dollars" (Grossman and Krueger 1991: 35-6), which was the case in Mexico.

This conclusion was not unchallenged. There was criticism that the findings of the report's first section had very limited application as one cannot generalize on overall pollution on the basis of a few air pollutants. That the links between economic growth and environmental pollution are more complex than presented by Grossman and Krueger is supported by the *World Development Report 1992* (World Bank 1992b: 10-1), which shows that there are three emerging patterns regarding these links. Some problems, such as unsafe water and inadequate sanitation, decline with an increase in incomes. Some problems initially worsen but then improve as income increases, like urban concentrations of particulate matter and SO₂, although this improvement is not automatic but the result of policy choices. Finally, environmental problems like municipal waste and CO₂ emissions worsen continuously with rises in income.

Also the link between trade and increase of income as presented in the Grossman and Krueger report was questioned. Predictions regarding the effects of free trade are in general hard to make, but even if GDP rises there is still the point of income distribution, which has been notoriously unequal in Mexico. It seems improbable that a society with a few ever richer families and a continuously large number of poor will live, produce and consume in a more environmentally sustainable manner than before (Lee 1992).

In the second section of their paper, Grossman and Krueger (1991) analysed whether under NAFTA US companies were likely to move to Mexico because of lower pollution abatement costs; an issue that was of great concern not only to NGOs but also to US labour. Their findings pointed out that evading stricter environmental standards had not been a significant motive for US firms to move production to Mexico, since environmental abatement costs were mostly

K. Reilly in his statement before the Subcommittee on International Trade of the Committee of Finance of US Senate, 16/09/92: 4; and by Mexico's Trade Minister Serra Puche in the Mexican Senate (17/VIII/93).

too small when compared to other production costs.¹² While later studies have reached opposite conclusions (cf. Molina 1993), there was also criticism that Grossman and Krueger had posed the wrong question. It was suggested that it is more important to find out whether firms that do move to Mexico, for instance because of lower labour costs and cheaper natural resources, pollute more than they did in the US (Lee 1992). At the time of the NAFTA environment debate, US-owned *maquiladoras*, although having access to and resources for modern equipment, did not comply with Mexico's environmental legislation (see 6.3).

The third and last section of the Grossman and Krueger report dealt with the relation between economic liberalization and resource reallocation. Because of a limited data-base (Mexico did not collect data on pollution generated by different industries), confusion over the final contents of NAFTA when the paper was written, and limitations in the model applied, the analysis remained quite speculative, as the authors admitted. Their conclusions nonetheless provide an interesting indication of the possible environmental impact of NAFTA. On the one hand, "[s]ince Mexico enjoys comparative advantage in a set of activities (agriculture and labour-intensive manufactures) that on the whole are 'cleaner' than the average, the composition effect of *trade liberalization* may well reduce pollution there" (Grossman and Krueger 1991: 35, my italics). *Investment liberalization*, on the other hand, might have an opposite effect. With a presumed 10 per cent increase of Mexico's capital stock, manufacturing industry was expected to expand. Grossman and Krueger predicted that this industrial expansion would entail increased emission of air pollutants and toxic waste. In short, the report expected investment liberalization to be negative for Mexico's environment.¹³ In their final conclusion, however, Grossman and Krueger did not repeat the results of their investment liberalization scenario, only of the trade liberalization scenario. NAFTA proponents quoting this report never mentioned its negative environmental predictions regarding investment liberalization, even when it was clear that NAFTA would include national treatment of investors from member countries.¹⁴

¹² USTR's review (1992: 163, 171, Executive Summary: 7) comes to a similar conclusion based on three arguments: environmental compliance costs for US industries on average are only 1.1 per cent; trade barriers for industries with high pollution abatement costs were already generally low prior to NAFTA; and new foreign investors have to submit an environmental plan to the Mexican authorities.

¹³ Based on research by Peat Marwick, a similar conclusion with respect to all productive sectors was reached by SEDUE (undated: 1.3.1).

¹⁴ For instance, in its folder *A better Mexico * a better environment*, the government of Mexico (1992, undated) quoted the Princeton study like this: "Trade liberalization may

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NAFTA proponents argued that environmental cooperation, predominantly between Mexico and the US, would flow from NAFTA. Mexico and the US had expressed their willingness to protect the North American environment, and NAFTA would contribute to this by fostering closer relations and cooperative efforts with regard to common environmental problems as well as other issues. The *Review of U.S.-Mexico Environmental Issues* carried out by a US inter-agency task force coordinated by USTR, as committed by Bush in May 1991, pictured future environmental cooperation as depending considerably on NAFTA. "The negotiation of the NAFTA is likely to be an important stimulus to maintain high levels of cooperation and commitment to address [environmental] problems", USTR (1992a: 70) maintained. Conversely, "in the absence of a NAFTA, Mexico may have less incentive to fully develop and enforce its environmental legal and regulatory regime in respect, for example, to U.S. concerns to transboundary impacts" (USTR 1992a: 73).

The border region was the most important area of Mexico-US environmental cooperation, as chapter 2 has shown, but *maquiladora* pollution was also a central issue of NAFTA criticism. However, according to NAFTA proponents the agreement would "facilitate solution of the existing environmental problems in the border area" (SEDESOL, undated a: 1.6). Besides enhanced cooperation and increased economic growth, the border environment would improve because NAFTA might stimulate new industrial investment to take place in areas other than the border strip, reducing congestion at the border (USTR 1992a: 4). The latter, however, was an over-simplified conclusion of the review's findings. Besides a no-NAFTA scenario, the review described two NAFTA-scenarios: 1. NAFTA with extra growth in the border area; 2. NAFTA with less growth along the border, as new investments might disproportionately be directed to the rest of Mexico.¹⁵ Absence of NAFTA might result in a 5 to 15 per cent annual growth in the border region until 2002, whereas scenario 1 was assumed to produce a

increase Mexican specialization in sectors that cause less than average amounts of environmental damage, improving environmental quality". No mention was made of the findings on investment liberalization.

¹⁵ After its early years, the *maquiladora* programme was no longer restricted to the border area but extended to Mexico as a whole. Yet as the programme only promoted production for export, the overall majority of *maquiladoras* remained located close to the US. With NAFTA, conversely, production for the internal market by foreign investors would be liberalized, which might be an incentive for these investors to produce in other regions of Mexico, among others to be closer to the consumer market.

6 to 17 per cent border growth and scenario 2 a 4 to 13 per cent growth (USTR 1992a: 64-8). Which scenario would be closest to reality was uncertain, but it is clear that no matter which development would take place, border growth would remain rather high and border congestion would consequently increase. In fact, USTR (1992a: 225) acknowledged that "economic growth and industrialization in the border region will continue, and possibly accelerate, whether or not a NAFTA comes to pass".

A major share of USTR's review dealt with various possible environmental effects of NAFTA in the border region. The results depended to a large extent on the scenario applied. Mexican border air emissions, for example, might change 0 to 165 per cent with scenario 1, or -20 to +85 per cent with scenario 2 (USTR 1992a: 88). The change of air emissions in a no-NAFTA scenario would depend on the impact of the absence of free trade on future environmental cooperation. Less cooperation might give way to a 40 to 225 per cent increase of Mexican air emissions, whereas no free trade with a continuing high level of environmental cooperation could result in a -10 to +125 per cent range (USTR 1992a: 88). In short, a considerable increase of air emissions was likely in each scenario.

With respect to border water quality, USTR (1992a: 113) also estimated that scenario 1 would mean a worse situation but scenario 2 a better situation when compared to no NAFTA. Domestic and industrial waste were expected to increase with growth, but growth might simultaneously provide resources for environmentally-sound disposal. Wildlife was expected to be harmed by free trade (spurring export agriculture), free investment (increasing pressure for industrial and recreational development of sensitive areas) and subsequent extra economic growth in Mexico (more production, infrastructure, prosperity). In the short term, health problems on the Mexican border side were expected to worsen under all scenarios as health infrastructure would not be able to keep up with the growing population, while NAFTA-scenario 2 might in the long term have a positive effect (USTR 1992: 132-9, 155-9). Taken together, the tentative analyses of USTR's review showed that most of the border problems were likely to exacerbate with or without NAFTA, and that a positive effect of NAFTA depended on additional growth taking place outside the border region. As the US review did not deal with problems in the interior of Mexico, and the Mexican review was covered up, the optimistic claims of NAFTA proponents on Mexico's environment remained rather ill-founded (see also 6.1).

With the development of the Integrated Environmental Plan for the Mexico-U.S. Border Area, the two governments made a rapid start with expanding environmental cooperation in the border region. With his May 1 declaration, President Bush had made a commitment to accelerate the creation of a border environment plan, which was agreed upon by Bush and Salinas in November

1990. As early as August 1991, SEDUE and EPA presented a draft of the Border Plan's first stage, covering the 1992-1994 period. The goal of the plan was to provide for the long-term protection of health and natural ecosystems along the border by means of strengthening laws, reducing pollution, and improving planning, training and education, as well as knowledge of the border area (SEDUE and EPA 1991).

The draft Border Plan presented an overview of major environmental problems in the border region, especially water and air quality, and waste and hazardous materials. Next, it described the existing institutional framework for the border environment, and the policy priorities. The final section on the implementation of the draft contained a list of plans with respect to monitoring and pollution control, environmental regulatory activities, resources for pollution control, and programmes for pollution prevention and voluntary action. Apart from several infrastructural works, many of the implementation plans involved opening talks, developing plans, recommending solutions, evaluations, analyses, consultations, and the completion of existing projects (SEDUE and EPA 1991). The Border Plan's draft was heavily criticized by environmental organizations for being too weak, among other things because it did not address the relation between NAFTA and possible environmental damage in the border region (see 6.1).

NAFTA proponents thus repeatedly presented economic integration as a prerequisite for intensified environmental cooperation, but this argument was questionable. "The alternative in which a NAFTA is not established would likely portend less cooperative environmental relations between our two countries, and a less adequate solution to those border environmental issues that do arise" according to USTR's review (1992: 63-4). However, before the decision on Mexico-US free trade, cooperation between the two countries on environmental issues had already expanded in areas such as wildlife protection, tropical forests and marine resources. In addition, Bush had stated that the proposed parallel track activities were "scheduled to occur whether or not a NAFTA is adopted" (U.S. President 1992: 73).

There did seem to be a relation between publicly known plans for Mexico-US economic integration and increased bilateral efforts in the border region. Border activities, most importantly the Border Plan, were speeded up when President Bush and President Salinas met in November 1990, a few months after the announcement of trade negotiations, "to discuss important issues of interest to both countries" (SEDUE and EPA 1991: 1-1). From that time on, SEDUE and EPA met to develop the Border Plan. The elaboration of NAFTA produced an intensification of environmental cooperation between Mexico and the US, as NAFTA proponents argued, but beside the preparation of the

agreement it was the widespread criticism which the NAFTA plan evoked that formed an important motive for increasing bilateral cooperation on environmental problems.

NAFTA proponents nonetheless strongly maintained that economic integration is better for environmental cooperation. There are at least three political reasons for this position. First, this logic rendered integrating strong arrangements on environmental protection and cooperation in the trade agreement unnecessary. Second, it supported the image-building attempts of the pro-NAFTA alliance to improve the public perception of the agreement and its proponents. It was, for instance, argued that “[a]s momentum has built behind a North American Free Trade Agreement, the nature and extent of such [environmental] cooperative activities has expanded” (USTR 1992a: Executive Summary-1). Third, the Bush administration also reasoned that “[i]t would be a great mistake to replace this increasingly successful cooperative approach with a series of dictates” which Mexicans might perceive as “impugning their own commitment and as a form of eco-protectionism” (U.S. President 1991: 10). This terminology clearly confers a negative image on ENGO plans to include stronger environmental arrangements in NAFTA than those envisioned by the neoliberal alliance.

A more fundamental, puzzling aspect of the environmental position of NAFTA proponents was its stand on growth and economic integration, in particular with regard to the border. On the one hand, it was acknowledged that the disastrous environmental state of the border stemmed from rapid expansion of the *maquiladora* sector. On the other hand, the argument ran that the solution to these growth problems was further growth. Why did the earlier growth not give way to increased environmental protection, and why would increased economic expansion not lead to more environmental damage? NAFTA proponents attempted to deny the growth dilemma by arguing that Mexico’s recent commitment to improving the environment and the expected resource-providing growth made a difference with the past, but this argument remained somewhat ambiguous.

— 5.3 Conclusions —

In the context of the preparations and negotiations of NAFTA a transnational alliance of proponents emerged. This alliance first of all consisted of government agencies and the presidents of Mexico and the US, while during the later stages of the NAFTA debate also private sector organizations and the World Bank reacted to criticism and developed major lobbies in close relation with

government efforts. The relations between these NAFTA proponents at the time of the debate were rather profound when compared to their previous relations. With the prospect of North American free trade, these new and strengthened relations obtained extra weight as the basis for future integration.

The pro-NAFTA alliance reacted actively on criticism with respect to possible environmental damage stemming from trade and investment liberalization. In documents and speeches, proponents presented their position on the NAFTA-environment links. As it was predominantly US Congress, and indirectly the US public, that had to be convinced of the good of NAFTA, the Bush administration produced the majority of documents. After denouncing its environmental review, which was unsuitable for the pro-NAFTA effort, the Mexican government mainly published image-building brochures in English. An early academic report claiming NAFTA would be beneficial for Mexico's environment (Grossman and Krueger 1991) was adopted by both governments for the NAFTA cause. Business organizations largely refrained from public activity on the environmental issue as long as the Bush administration, assisted by the Mexican government, seemed able to deal with the critics. The World Bank maintained an equally distant position from the public debate.

The most important pro-NAFTA documents on environmental issues were interrelated. Regularly, these documents used the results of the others' studies and brochures. Another regularity is the simplification of results, either of their own data or when quoting other documents. Whereas most reviews contained a large amount of complex data predicting a range of possible environmental effects of NAFTA, conclusions and summaries lacked caution and depth.

NAFTA proponents attempted to change the negative image of Mexico's environmental policy by highlighting recent improvements. Large amounts of money were spent on lobbying for the same purpose. In addition, proponents maintained that free trade is environmentally beneficial as it leads to economic growth. Their argument went that this growth produces the resources necessary for environmental protection. Moreover, free trade would enhance environmental cooperation between the US and Mexico. Mexico's environment would thus be better off with than without NAFTA, and the inclusion of environmental arrangements and funding in NAFTA would be a redundant measure according to the pro-NAFTA alliance.

The environmental position of NAFTA proponents was notable for its narrow approach. Regarding Mexico, most attention was paid to the border region with the US and to industrial pollution, with the exception of Mexico City and conservation of wildlife, forests and marine resources. This distortion of the link between NAFTA and Mexico's environment can be partly attributed to the US dominance in the NAFTA environment debate. Weak enforcement of

Mexico's environmental legislation as a source of US job losses, and pollution at the border was what worried the US public most, as the previous chapter showed. With the US Congress divided on NAFTA, the border environment and Mexican industrial pollution, was the main issues to be addressed by NAFTA proponents. However, the pollution focus was also strong within the Mexican government, as has been shown in chapter 2. In short, the reaction of NAFTA proponents to ENGO criticism strengthened a limited approach to Mexico's environmental problems and policy.