

Positioning the CEC's Work on the Assessment of Trade and Environment Linkages for the Next Decade

An Experts Roundtable

DRAFT DISCUSSION PAPER

PREPARED FOR THE CEC
BY UNISFÉRA INTERNATIONAL CENTRE

KAREL MAYRAND

MARC PAQUIN

SARAH GAGNON-TURCOTTE

Commission for Environmental Cooperation

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INTRODUCTION

The Commission for Environmental Cooperation (CEC) has developed a world-class reputation for its rigorous, cutting edge work in such areas as agriculture, energy, economic instruments and others. After more than a decade in existence, the CEC wishes to take stock of these past achievements and project its expertise and resources into the future to remain the North American, and a global, reference on trade and environment research and policy advice.

In conjunction with the *Fourth North American Symposium on Assessing the Environmental Effects of Trade: Services and the Environment*, the CEC is convening an expert roundtable to explore its future areas of work in light of emerging trade and environment issues. The roundtable will gather a group of experts to discuss these issues and to produce concrete recommendations to orient the CEC's future work. Following the symposium, a report will be prepared presenting potential areas of future work for the CEC in the area of trade and environment.

This discussion paper provides background material for the roundtable. It is based on a review of relevant literature as well as interviews with 24 leading North American and international experts, some of whom will also participate in the roundtable.¹ The paper aims to identify key areas for discussion, emerging issues to be considered, and to provide a list of questions to be addressed. It also proposes a structure for the roundtable discussions.

This discussion paper is divided into four sections that follow closely the structure of the questionnaire used for the interviews.² Section I looks at the evolution of the trade and environment context in North America since the entry into force of the North American Agreement on Environmental Cooperation (NAAEC) in 1994 and analyzes how these changes have impacted the role of the CEC. Section II analyzes current drivers of change in the trade and environment nexus in order to forecast their evolution in the upcoming decade. Section III provides an inventory of emerging issues as well as issues of particular relevance today and in upcoming years as identified by interviewed experts. The fourth and final section proposes innovative approaches to address these issues through the work of the CEC and methods to measure success. The conclusion identifies areas for further discussion at the roundtable.

¹ The list of experts interviewed is available in Appendix I.

² The lines of inquiry are available in Appendix II.

THE EVOLUTION OF THE TRADE AND ENVIRONMENT CONTEXT SINCE 1994

The trade and environment context in which NAAEC is being implemented and in which the CEC is operating has evolved since 1994. North America has become increasingly integrated economically and the general understanding of the trade and environment relationship has improved considerably, thanks in great part to the work of the CEC. Moreover, the understanding of the relationship between increased trade and the environment evolved as new environmental concerns emerged and as the private sector took a greater leadership role on environmental issues. This section synthesizes the expert's opinions on this changing context.

The first and most evident element of change in the context in which the CEC operates is that NAFTA, whose implementation had only begun during the early CEC years, is now almost fully implemented by all three Parties. Canada, Mexico and the United States have moved, over the last 14 years, from the implementation of a new regional free trade agreement to a stage of **deeper economic integration**. The role of the CEC has to evolve according to this new context.

It is becoming increasingly difficult to isolate the specific portion of trade created directly by NAFTA: thus a broader approach that looks at both economic integration and environmental issues is needed. NAAEC provides a flexible framework that allows for such a broader perspective.

In this context of greater economic integration, environmental cooperation is becoming increasingly relevant. Experts agree that while a continental economic vision is slowly emerging, especially among the business community, such a vision is lacking on the environment. They point out to the absence of a continental approach to environment management, with the notable exception of a few projects in the area of biodiversity conservation. NAAEC's objective to foster collaboration among the three NAFTA countries on trade and environment issues has therefore not yet been entirely fulfilled. Of particular relevance in this regard is the fact that links between the CEC and the FTC are minimal and that trade and environment issues are mostly addressed separately at the policy level. In synthesis, environmental cooperation lags behind economic integration in North America.

Over the past fifteen years, the CEC has contributed to improving the **understanding of the trade and environment relationship** in North America. The work of the CEC pioneered methodologies to assess environmental effects of trade and proved the existence of inherent and robust relations between trade and environment. The hypothesis that NAFTA would lead to a North

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American "race to the bottom" and to the creation of pollution havens across the continent was in great part invalidated thanks to research conducted under the CEC environment, economy and trade program. CEC research also documented the impacts of NAFTA on the environment and thus reduced the fears that trade would lead to negative environmental outcomes. Lastly, CEC research also showed that numerous environmental effects are policy-determined and dependent upon the regulatory framework and the institutional context prevailing in the three countries. This improved understanding contributed to creating a more sophisticated trade and environment discussion and to shift the research agenda to second generation issues in the trade and environment relationship.

The understanding of the trade and environment relationship evolved as well in the context of **emerging environmental issues**. While trade and the environment used to be seen as pulling in opposite directions, win-win opportunities offered by trade within North America are now more easily recognized and businesses are also more engaged in the protection of the environment. Recent years have seen the emergence of strong corporate social responsibility initiatives as well as private-based standards and certification such as the Forest Stewardship Council (FSC) standard or the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, developed by the U.S. Green Building Council.

Parallel to this evolution, civil society's perception of trade and environment issues changed as new trade-related issues and environmental concerns were emerging. From pollution havens in the mid-90s to investment rules later in that decade, to transgenic maize in the early 2000, and now climate change, public attention has shifted several times. Trade liberalization and globalization – and NAFTA in particular – which used to be the top concern of civil society in the mid-90s, gradually fell in the list of key environmental concerns during this period. However, other issues, including climate change, air pollution, consumption patterns, and water and biodiversity conservation are now at the forefront of public attention. Paradoxically, trade-related environmental issues have lost momentum in public opinion at the same time that environmental awareness was rising.

The CEC's priorities may need to be reassessed to reflect this new context composed of deepening economic integration, a broadening research agenda and new environmental concerns. The CEC also needs to look forward and identify current and future drivers of change in order to anticipate future trade, economic and environmental issues, to stay ahead of the curve and to remain relevant for its stakeholders.

FUTURE DRIVERS OF CHANGE IN THE FIELD OF TRADE AND ENVIRONMENT

It is difficult to foresee the trends and events that will shape the upcoming decade and their impact on the trade and environment relationship. While it is virtually impossible to predict their precise direction and magnitude in the upcoming decade, some existing and emerging drivers of change will profoundly impact the trade and environment relationship during that period. The experts consulted in preparing this paper identified five main drivers for the next decade: 1) climate change and energy; 2) environmental standards and green protectionism; 3) shifting consumption and production patterns; 4) accelerating globalization and the rise of India and China; and 5) public opinion.

A strong proportion of consulted experts identified climate change and energy as the most important drivers of change in the upcoming decade. Through its impact on energy, transportation and agriculture (biofuels), climate policy will have far reaching effects on our economies. Carbon pricing, either through carbon taxes or cap and trade systems, will affect competitiveness and trade flows. The impacts of these changes are still poorly understood as businesses, jurisdictions and citizens are rapidly entering a carbon-constrained world, some with resistance, others proactively.

Climate policy and carbon pricing are not only scenarios anymore: they are a reality and they will likely stir up the trade and environment debate and potentially generate trade conflicts. The upcoming years will see a delicate balancing act between competitiveness issues and international climate policy as negotiations for a post-Kyoto climate regime enter their final stage. Increased energy integration in North America and intra-NAFTA competitiveness issues make it necessary for the three countries to take on this challenge in a cooperative manner.

Indeed, as climate policies multiply in North America and the world, so do transaction costs and risks for North American businesses. This is why the business sector is increasingly calling for a coherent, predictable climate policy framework that will maintain their competitiveness while allowing them to adapt to a carbon-constrained global market. States and provinces have already started developing joint climate policies in recognition of this fact. In doing so, they are already changing the business and trade environment in North America.

In addition to influencing competitiveness, climate policy may also increase the risk of trade disputes, notably with Europe, as climate policy leads to the introduction of measures that may interfere with trade. Such measures, like the proposals to introduce carbon taxes on imported goods or to establish

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preferences according to the carbon content of products or energy sources, may be associated with green protectionism and lead to trade disputes. Such disputes may not only occur between North America and Europe, but also among NAFTA partners themselves, for example with the introduction of new requirements on the carbon content of certain sources of oil, including oil sands.

A second driver of change identified by experts is the introduction of an increasing number of environmental standards, both public and private, that support a growing demand for sustainably produced goods and products, and the risk of renewed green protectionism. Environmental standards are increasingly prominent in agriculture, forestry and other natural resource-based sectors, and they are likely to emerge and proliferate in the energy and climate sectors. The intersection of environmental standards with trade raises competitiveness, market access, transaction costs and risk management issues. These may also revive aspects of the old controversy about green protectionism and production and processing methods (PPMs).

A third, closely related driver of change is shifting consumption and production patterns in North America and the world. Customers and businesses are increasingly becoming the main drivers of change through their preferences. The combination of corporate social responsibility and customer demand has created a virtuous circle of continuous improvement in consumption and production patterns. Interestingly, this *race to the top* has essentially emerged without major government intervention, but is nonetheless changing the production/consumption environment – and trade patterns – in many sectors.

A fourth driver is the acceleration of globalisation and the rise of China and India. This international economic environment is creating new challenges in the field of trade and the environment. Increased international demand is influencing natural resources prices and causing increased ecosystem stress in certain areas. Environmental standards in emerging economies—especially China and India—where they are particularly low, and in the European Union where they are high, are having important repercussions on the competitiveness of the North American economies. In addition, the issue of green protectionism is still debated in international trade negotiations. These international trends have the potential to bring new trade-related issues to the forefront of citizens' concerns.

The fifth driver of change is public opinion, which may always fluctuate according to new events or trends. With environmental issues consistently ranking high in public opinion in the last few years and the potential for new environment-related trade disputes, there is a risk of seeing public opinion shift against trade. Moreover, increasing public demand for environment and

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climate-related policies and regulations may accelerate regulatory changes and change trade patterns accordingly.

Lastly, some experts mentioned water scarcity, environmental health, technological change, demographics, the Arctic, and global governance as other important drivers of change. While it is impossible to deal with these issues to their full extent here, it is worth noting that they may influence the trade and environment relationship in the upcoming decade.

KEY ISSUES TO BE CONSIDERED BY THE CEC AND NAAEC

When asked to identify the issues they expect to be at the core of the trade and environment relationship over the next decade, experts consulted in preparing this report identified issues that were at the forefront of the CEC work in the past years as well as new, emerging ones. Some issues are on the rise such as climate change, whereas others such as investment rules or pollution havens are fading away. This section provides a picture of the most relevant issues identified by experts. Table I provides an over view of the top ten issues ranked by experts.

Table 1. Top ten issues

1	Energy	9.4
2	Climate change and carbon trading	9.3
3	Price of natural resources	7.7
4	Agriculture and Food	7
5	Water ³	---
6	Habitats and biodiversity	7
7	Competitiveness	6.9
8	Clean technologies	6.8
9	Consumption patterns	6.7
10	Transportation	6.5

Climate change and energy were mentioned by 20 out of 24 experts as either a major driver of change in the global economy and the environment or as one of the most important issues to be addressed by the CEC over the next decade. Moreover, one expert out of two specifically mentioned that climate change and energy issues should be among the top three priorities of the CEC. Experts

³ Although water was originally not included among issues to be rated by experts, 4 out of 5 experts mentioned it as a key issue during the interview. From their comments we can assert that water would have been ranked among the top 5 issues had it been rated.

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mentioned that climate change and energy are cross-cutting issues that will influence economic growth and trade patterns in the upcoming decade. As such, they constitute unavoidable drivers of change as well as key variables conditioning the trade and environment relationship.

Understanding the linkages between **climate change** and trade policies and between climate policy, energy policy, growth patterns and trade competitiveness constitutes a major research agenda that will need to be taken on by credible institutions. However, given that numerous NGOs, think tanks and research centers are focusing their resources on climate change issues and energy, the CEC would need to focus its expertise where it is the most relevant, including the trade/climate change nexus, and by producing policy-oriented research that would be adapted to North America's interest and specificities as the region moves towards a carbon-constrained global economy.

Moreover, throughout North America, states, provinces and cities are already introducing carbon emissions reductions objectives in order to fight climate change. The tools and approaches used to achieve these reductions are numerous and vary from one jurisdiction to the other. This situation could potentially be the source of trade conflict or market distortions. In this context, numerous experts deemed it essential to measure the impact of carbon reductions on competitiveness, to help share and promote best policies and practices among North American stakeholders and to develop policy recommendations that will reduce the potential for conflicts and distortions linked with green procurement policies or tax adjustment on imbedded carbon in traded goods, for example. Moreover, the CEC could contribute to the integrated implementation of a cap and trade emissions structure that would correspond to the specific need of North American countries and allow for the implementation of compatible carbon pricing policies in the whole region.

Energy will equally be at the intersection of trade and environment in the coming years as the combination of high energy cost and climate change policy drives major shifts in North America's energy architecture. In the current context of increasing energy integration, the question of subsidies could also take on more importance, while the priority in terms of energy uses and pricing still need to be addressed. Finally, a focus on policy is considered essential in this field in order to inform ongoing continental energy integration, and to avoid piecemeal or incoherent policy developments.

As most solutions to climate change will be associated with the development and the promotion of **clean technologies**, especially in the field of energy, the strong focus experts gave to climate change also drives clean energy to the top ten issues to be addressed by the CEC. As energy prices increase and carbon policies are deployed, clean technologies will shift from being a short term cost

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to a competitive advantage that improves productivity and reduces liabilities and risks. Indeed, the capacity to adapt to climate change, to reduce the consumption of expensive fossil fuels and to shift to cleaner technologies will drive North American productivity and competitiveness. In addition to enhancing the region's energy security, it will also allow North America to face increased pressure from higher environmental standards worldwide. Producing the right set of policy and fiscal and economic incentives to drive the adoption of new technologies may become a key condition for sustaining North America's competitiveness. Moreover, the promotion and diffusion of clean technologies could create new market opportunities at the same time as it improves environmental outcomes.

Research in this field should first focus on what are the best technologies and then on what are the best policies and incentives to promote their use. Biofuels as a substitute for oil, for instance, will bring up numerous questions that will need to be more deeply researched in order to avoid creating new adverse environmental effects. The questions of land-use, crop prices and food security, water and energy sources needed for different types of biofuel production should all be addressed in the context of a rapidly growing biofuel market in North America.

Competitiveness and environmental barriers to trade will be once again a hot topic in the coming years. A vast number of experts are thus suggesting that the CEC pay more attention to international trends that could affect North American trade and environment issues. This includes for example a monitoring of new environmental standards in Europe. In order to fulfill such a role, it should also collaborate more closely with other international organization working in the field of trade and environment such as the WTO, the OECD, UNCTAD, etc. This would allow the CEC to access more information and data.

Consumption patterns are another issue that was identified by experts as having deep effects on both trade and the environment. The CEC has already been working at promoting new green consumption practices through the North American Green Purchasing Initiative (NAGPI) and the Greening Trade in North America project, which promotes shade coffee and sustainable palm. These projects helped improve awareness and develop a North American vision in which consumers are becoming increasingly aware of their purchasing power. Some experts mentioned that the CEC's work on green purchasing could be complemented with work on externality pricing, on incentives to green consumption and on assessing the environmental footprint of products over their lifecycle.

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Habitats and biodiversity, in which the CEC already developed some expertise, were also considered important for a number of experts, especially for some who argue that the link with trade has not been sufficiently explored. Numerous experts estimate that clear and robust links between trade and ecosystems' stress or depletion of natural resources exist and should be better monitored and documented. The development of a trade sensitivity index for specific and sensitive natural resources was proposed by some.

Water was also highlighted as water stress is already having impacts in several regions of North America. Water scarcity could also be exacerbated as a result of climate change. Other experts mentioned trade in water and water services, as well as trade in water intensive goods – or virtual water – as issues that will remain on the North American trade and environment agenda in the upcoming decade. Opportunities for efficiency improvement in the technologies linked with the water cycle for human uses, including extraction, treatment, distribution, collection, discharge or recycling technologies may attract important attention.

Several experts mentioned **agriculture and food** as a key issue for the CEC since agriculture remains an important economic sector in all three countries and an activity that is at the interface of trade, land use, water scarcity and poverty. Although few expanded on the topic, there seems to be some consensus based on the past CEC experience that this issue will still be relevant in the upcoming decade.

Many experts mentioned that the CEC could engage more with the private sector and support the drive to improved **CSR** policies. Others mentioned that shareholders could be increasingly engaged as they have an important potential in influencing environmental policies of businesses. Lastly, the importance of **transportation** in trade, climate and energy policy issues makes it a key issue for several experts.

Given the changing context in which the CEC is operating and the drivers of change identified for the upcoming decade, these issues are likely to condition a significant part of the trade and environment relationship in the coming years. A greater understanding of their implications on this relationship will be essential to fulfilling NAAEC's objectives during this decade. New strategies and approaches will also be needed to improve the capacity of the CEC to inform North American policies and to contribute fulfilling the objectives of NAAEC.

INFORMING POLICY AND MEASURING SUCCESS IN THE COMING DECADE

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Deepening North American economic integration, new drivers of change in the trade and environment relationship, and a new set of key issues such as climate change and energy provide a new context for the CEC's work. According to some experts interviewed, in order to maintain its role as a leader and confirm its expertise in the trade, economy and environment field, the CEC needs to upgrade its role as a regional clearinghouse on trade and environment issues and as a platform that dynamically involves key North American stakeholders. Moreover, the CEC should continue building upon NAAEC's unique institutional trilateral structure to support North American jurisdictions in making informed decisions. Numerous strategies and approaches can support these objectives. This section analyzes how the CEC can inform policy, offer added value for North American economic and environmental integration, and ultimately measure its success.

Since its creation, one of the CEC's key roles has been **knowledge and information production and dissemination**. The CEC is a credible convener of high quality research, as well as a specialized clearinghouse on trade and environment issues in North America. It has created comprehensive and useful methodologies to assess the environmental effects of trade while gathering and producing information on a vast array of topics. However, the organization has experienced difficulty in disseminating information outside specialized circles of experts. Expanding the CEC's outreach and constituency remains a challenge. Consequently, the general public and civil society are not sufficiently aware of the CEC's work and of the availability of information on trade and environment issues. In addition, some experts mentioned that documents, findings and recommendations of the CEC should be disseminated more effectively to trade officials.

Engaging key stakeholders has always been another important mission for the CEC and one of its strengths. Its specificity as an intergovernmental body allowed the CEC to engage officials from all three NAFTA members, while creating a strong relationship with the public through the Joint Public Advisory Committee (JPAC). Result-oriented, innovative strategies are needed to further improve the CEC's engagement and outreach. For instance, targeted communication strategies with key sectoral stakeholders could be designed and implemented. Specific audiences and communities could also be mobilized through enhanced partnerships. And better networking strategies could improve outreach to key people.

Almost all consulted experts stressed that the CEC should engage more with the **private sector**, especially corporate decision-makers and business academics. Given that intra-firm trade represents over 40% of world trade, private sector policies are especially influential on trade and environment issues. Working with private sector actors would help to identify best practices,

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and to develop successful incentives and strong engagement strategies. The best way to engage the corporate world would be to develop strategies and tools that would ultimately generate value for businesses. For instance, more information on environmental standards trends internationally could help corporations stay at the cutting edge, enhance business predictability, reduce risk and improve competitiveness while encouraging a shift towards greener technologies.

In the long run, increasing private sector involvement could lead to more result-oriented strategies and findings that would generally increase the CEC's impact and contribute to reaching NAAEC's objectives. By positioning the CEC itself between policy makers and businesses, the CEC could also become a key solutions conveyer that would improve North American public and corporate policies. However, some experts mentioned that in engaging the private sector, the CEC should be careful not to let business' concerns and interests drive its agenda.

Informing and influencing policy is another central role of the CEC and one of the key areas where it needs to show added value. "Policy" is understood here as the outcome of complex political agenda-setting and decision-making processes among other elements. The CEC needs to enhance its capacity to inform these processes on both the demand (agenda) side as well as the supply (policy options) side.

Generally speaking, experts believe that the CEC's work had a small influence on policy in the three countries.⁴ The reasons for this situation are mainly institutional and related to the policy making processes in the three countries. Moreover, the CEC is not perceived as having strong bonds and networks with government officials in the three countries. In this context, it is difficult to convey policy recommendations. According to experts, the CEC fulfilled its mandate of documenting the environmental impacts of NAFTA, but the information did not reach high-level decision makers. CEC recommendations were discussed by environment officials or junior trade officials only and were not delivered to high-level officials in an appropriate format with relevant contents.

The CEC should thus seek to increase access to senior policy and decision makers and develop proactive government networks in each country. Experts believe that the CEC would benefit from establishing new formal and informal

⁴ The Ten-Year Review mentions that the "CEC has raised the awareness of the policy community and helped 'move the agenda' in a number of areas", such as pollutant releases, children's health and the environment, sound management of chemicals, biodiversity and article 13 reports, at page 17.

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channels of discussion both at the federal and state/provincial levels. They pointed out that informal agreements among stakeholders can also have a strong impact on the North American environment. Moreover, a closer relationship at the state/provincial level, where most environmental policy is made, could help the CEC position itself as a catalyst contributing to the compatibility of environmental policies.

Furthermore, in order to influence policy, greater efforts will be needed to improve awareness in key processes shaping North American integration. The **Free Trade Commission** (FTC) and the **Security and Prosperity Partnership** (SPP) are among key trilateral fora that could benefit from the CEC's expertise, as they already address numerous trade and environment issues. Since experts are unaware of past CEC achievements resulting from collaboration with the FTC, they recommend that the CEC proactively seek to enhance its collaborative effort with the FTC as provided under NAAEC article 10.6. The recent (unprecedented) expression of interest on the part of the FTC to collaborate with the CEC on the issue of competitiveness and consumer electronics may announce a closer relationship for the coming decade.

Experts also suggest developing new links with the SPP and present officials with reports on the issues that are relevant to the CEC's work. In order to accomplish this task, most experts believe that the CEC will need to be fully supported by its Council and receive a clear mandate to genuinely improve the relationship. This requires a high level of political commitment from the three countries.

Finally, according to a majority of experts, the CEC has also to become more policy as well as result-oriented. Policy can be designed to create triple win outcomes for the economy, trade and the environment if it is properly informed. The role of the CEC is to show more clearly the linkages between trade and environment and propose policies that enhance trade competitiveness and are conducive to a healthy North American environment. It should also put efforts into mainstreaming more thoroughly environmental issues and sustainable development concepts into trade policy making and offer more concrete, applicable suggestions and recommendations to policy-makers. Last but not least, the CEC needs to develop methodologies to assess its policy influence and measure its role in the adoption of new policies, standards, laws or regulations.

Consulted experts also suggest that the CEC should be given an enhanced role to assist trade departments in dealing with environment-related issues raised in trade policy, including those outside NAFTA. Agriculture, energy, invasive species, services trade, investment rules and transportation are among key trade-related issues where the CEC could bring added value. Technical

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cooperation on environmental standards was mentioned several times by experts as an issue necessitating more research and suggestions. Other experts also suggest that the CEC should involve more government officials working outside the trade and environment ministries, including officials from transport, energy or agriculture ministries, for instance. The CEC's accumulated expertise can inform policy processes, trade negotiations and environmental assessments of trade and sectoral policymaking, leading to improved economic and environmental outcomes.

Some experts also mentioned that the CEC's cumulative expertise would be highly beneficial to other regions experiencing regional economic integration such as the Central American Free Trade Area (CAFTA) and Mercosur for instance. Exchanges with these regions would allow them to make a gradual transition to deeper economic integration without the adverse environmental effects at the same time as it creates an improved level playing field for trade internationally. In that perspective, some experts suggested that the CEC should expand its scope of work and situate its work within the **broader international context** without losing focus on North America. Given the worldwide expansion of trade and the increasing importance of new trading partners such as India and China, it is becoming increasingly difficult to isolate NAFTA from other trade flows.

In light of the ever expanding geographical and sectoral scope of trade and environment issues and the need to engage with new stakeholders – notably the private sector – some experts suggest that the CEC could maximize the use of its scarce resources by systematically seeking to **develop partnerships** with industry associations, NGOs, academic networks and international organizations. This would allow it to play a catalytic role and to multiply the impacts of its programs. Others suggest that building such partnerships could help de-politicize the CEC process by inserting CEC programs into broader, multistakeholders agendas, and to make it more effective.

CONCLUSION

Over the last ten years, the CEC has contributed to improving the general understanding of trade and environment issues and to engage governments, civil society, academics and private sector stakeholders into a productive dialogue on NAFTA and its effects on the North American Environment. The CEC has now acquired a world-class credibility on trade and environmental issues.

However, one of the key lessons learned from the last 14 years is that the CEC is experiencing difficulty in informing policymaking in North America. It has

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produced excellent policy recommendations but failed to see them implemented. This is symptomatic of fluctuating political support and of a gradual demobilization of the CEC constituencies as the trade and environment agenda was becoming less controversial.

The CEC is facing several challenges arising from a changing context, new drivers of change and a shifting mix of issues. Deeper North American economic integration, increased private sector leadership, rapidly changing climate change and energy policy and the rise of new trading relationships with India and China are only a few elements changing the environment in which the CEC operates.

Despite the fact that the context and challenges are different, the CEC's role of assessing the environmental effects of trade and informing policy remains the same. In order to remain relevant and useful to its parties, the CEC needs to adapt its trade, economy and environment program to emerging issues to identify its niche and to enhance its capacity to influence policy and decision making processes as to clearly demonstrate how it impacts trade and environmental outcomes in North America. This report summarizes key findings from a series of interviews conducted with experts. Building on these findings, a roundtable of experts will seek to define a path forward for the CEC for the coming decade. Roundtable discussions should revolve around three key questions:

1. What are the issue-areas on which the CEC should focus? How can it best address these issues?
2. Who are the key stakeholders with which the CEC should engage and how? Should the CEC build new partnerships?
3. How best can the CEC produce result oriented and policy relevant material to influence trade, environment and other sectoral policies? Should it play a role in other North American integration processes?

These three questions should be addressed in the context of one, broader question: how can the CEC find its niche, remain relevant and provide added value to North American integration in the upcoming decade?

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APPENDIX I: LIST OF EXPERTS INTERVIEWED

Hussein Abaza

Chief
Economics and Trade Branch,
Division of Technology, Industry and
Economics
United Nations Environment
Programme,

Gustavo Alanis Ortega

Presidente
Centro Mexicano de Derecho
Ambiental (CEMDA)

Dale Andrew

Head, Trade Policy Linkages and
Services Division
OECD Trade and Agriculture
Directorate

Johannes Bernabe

Senior Adviser
Trade in Services and Labour
Mobility
Dispute Settlement and Legal
Aspects of International Trade
International Centre for Trade
and Sustainable Development
(ICTSD)

Greg Block

Vice-President
Conservation Programs
Wild Salmon Center

Chantal Line Carpentier

Sustainable Development Officer
UN Department of Economic and
Social Affairs

Adriana Nelly Correa Sandoval

Directora, Cátedra Andrés
Marcelo Sada en Conservación y
Desarrollo Sostenible
Profesora Investigadora, Centro
de Calidad Ambiental
ITESM Campus Monterrey

Brad Gentry

Director
Center for Business and the
Environment, Yale University
Senior Lecturer and Research
Scholar
Yale School of Forestry and
Environmental Studies

Irene Henriques

Associate Professor
Schulich School of Business

Roland Hosein

Board Member
Canadian Manufacturers &
Exporters

Veena Jha

Visiting Professor
Warwick University

Colin Kirkpatrick

Hallsworth Professor
Development Economics
Director
Impact Assessment Research
Centre Institute for Development
Policy
Management School of
Environment and Development
Humanities

John Kirton

Director, G8 Research Group
Research Associate, Centre for
International Studies
Munk Centre
University of Toronto

Howard Mann

Senior International Law Advisor
International Institute for
Sustainable Development

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Katia Opalka

Former Legal Officer
Submissions on Enforcement
Matters Unit
Commission for Environmental
Cooperation

Umberto de Pretto

Deputy Secretary General
International Road Transport
Union

Carlos Sandoval

President
Consejo Nacional de Industriales
Ecologistas, A.C. (CONIECO)

Claudia Schatan

Economic Affairs Officer
ECLAC Subregional Headquarters
in Mexico

Benjamin Simmons

Legal Officer
Economics and Trade Branch
United Nations Environment
Programme

Robert Slater

Adjunct Professor in
Environmental Policy,
Carleton University
President, Coleman Bright and
Associates

Blanca Torres

Profesora
El Colegio de México
Centro de Estudios
Internacionales

Scott Vaughan

Director, Policy Development
Unisfera International Center
Former Head, Environment,
Economy and Trade Program
Commission for Environmental
Cooperation

Jacob Werksman

Program Director
Institutions and Governance
Program
World Resources Institute

APPENDIX II: LINES OF INQUIRY

- 1) How has the relationship between trade and environment in North America changed since the entry into force of the NAAEC in 1994?
 - a. What have been the drivers of change?
 - b. How have these drivers affected the way we understand the trade and environment relationship?
 - c. How is NAAEC implementation – and thus the work of the CEC – impacted by these changes?

- 2) What will be the drivers of change in the field of trade and environment over the next decade?
 - a. How will these drivers affect the work of the CEC on trade and environment issues?

- 3) How important will the following issues be for guiding the trade and environment agenda and assessing the environmental impact of trade in North America over the next 10 years? (grade from 1 to 10)
 - a. Energy
 - b. Climate change and carbon trading
 - c. Agriculture and Food
 - d. Habitats and biodiversity
 - e. Invasive Species
 - f. Services trade
 - g. Transportation
 - h. Pollution havens
 - i. Environmental barriers to trade
 - j. Non-compliant imports
 - k. Clean technologies
 - l. Security and border management
 - m. Chemicals management
 - n. Cross-border trade in hazardous materials
 - o. Technical cooperation on environmental regulations and standards
 - p. Investment rules
 - q. Competitiveness and environment
 - r. Consumption patterns
 - s. Production patterns
 - t. Price of natural resources
 - u. Corporate social responsibility
 - v. Others, explain _____

- 4) What three issues should the CEC address as part of its work on understanding the linkages between economic integration and the environment over the next 10 years?
 - a. Why are these issues important?
 - b. How could the CEC best address these issues?

DRAFT DISCUSSION PAPER

- c. How can the CEC best influence policy and decision-making by the private sector in North America?
- 5) How best could the results of CEC work on the environmental effects of trade and economic integration inform and influence policy and decision making in North America?
 - a. Should new strategies be adopted? If so, which ones?
 - b. Can the CEC generate relevant advice for both public and private policy? How?
- 6) How should the CEC's success be measured over the next ten years?
- 7) The North American Agreement for Environmental Cooperation provides a mandate for the CEC to cooperate with the NAFTA Free Trade Commission to achieve environmental goals and objectives of the NAFTA, including to assist the FTC in environment-related matters.
 - a. On which issues do you think cooperation and/or assistance has been effective?
 - b. On which issues do you think further cooperation and/or assistance is required?
- 8) On the margins of the Symposium, there will be a JPAC regular session. What key issues and questions should be addressed during the expert roundtable /public session held by the JPAC at the next symposium?