

TRADE AND ENVIRONMENT IN THE AMERICAS

www.cec.org/symposium

From 24–28 March 2003 the CEC, in collaboration with the United Nations Environment Programme, will host a week of dialogue on trade and the environment in North America and Latin America. Researchers, country representatives, NGOs, the private sector, international organizations and the general public will gather in Mexico City to further contribute to our understanding of the effects of freer trade on the environment. The CEC's component will examine trade and environment linkages in the agricultural and energy sectors.

The knowledge gained, and our continuing work, means the CEC will play an enduring role in supporting the kind of trade that fosters sustainable development in North America.

- Public Workshop on NAFTA Chapter 11, hosted by the Joint Public Advisory Committee, 24 March
- CEC Second North American Symposium on Assessing the Environmental Effects of Trade, 25–26 March
- UNEP Capacity Building Meeting on Environment, Trade and Sustainable Development for the Latin American Region, 27–28 March

Limited space is available to the public; therefore participants are encouraged to pre-register. A registration form is available to download at www.cec.org/symposium. Additional information will be posted to the web site as it becomes available.



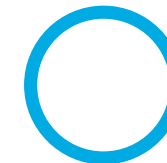
The CEC was created by the three partner countries to support the environmental goals and objectives of NAFTA, and to advance understanding of the relationship between the environment, the economy and trade, as it pertains to North America.



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Free Trade and the Environment

Lessons from North America



FREE TRADE *with or versus* the ENVIRONMENT?

There is much debate regarding the effects of trade liberalization on the environment. Opposing views hold that increased trade either undermines environmental quality or enables countries to grow out of their environmental problems.

Good, current information is essential to informing the debate. In December 2002, the North American Commission for Environmental Cooperation (CEC), with the support of the Ford Foundation, published *Free Trade and the Environment: The Picture Becomes Clearer*, a report that summarizes key recent studies and findings relating to the trade and environment debate.

Central to the report are results from the CEC's groundbreaking North American symposium on trade and the environment, held in Washington, DC, in October 2000, which covered topics ranging from the effects of the North American Free Trade Agreement (NAFTA) on forestry, fisheries and freshwater to trade in hazardous waste, transportation and services. The full texts of the symposium papers, published together as *The Environmental Effects of Free Trade*, are available at <www.cec.org/symposium>.¹

To date, some evidence cited in the symposium contributions supports the economic growth–environmental improvement view while other evidence refutes it. In some cases free trade has brought improvements in environmental quality, especially when driven by new technology and management practices. At the same time, free trade has been linked with environmental degradation.

However, while most environmental assessments of trade suggest an indirect and largely weak link between trade and changes in environmental outcomes, conclusions presented in *Free Trade and the Environment: The Picture Becomes Clearer* indicate free trade since NAFTA can be linked directly to certain changes, albeit small in some cases, in environmental quality—both good and bad.

As the report's title suggests, the picture gets clearer when aggregate numbers are broken down by economic sector, pollution source and location.

1. The findings advanced in *The Environmental Effects of Free Trade: Papers Presented at the North American Symposium on Assessing the Linkages between Trade and Environment* (CEC 2002) are the responsibility of the individual authors and do not necessarily reflect the views of the CEC, or the governments of Canada, Mexico, or the United States.

IS FREE TRADE CHANGING OUR ENVIRONMENT?

SOME FINDINGS

At this time there is no single indicator—comparable to what, for example, the GDP tells us about the economy—to measure the impact of free trade on the environment. Rather, indicators are specific to different environmental media—air or water, for example. Research assembled at the CEC's first North American symposium on trade and the environment suggests different effects, depending on the economic sector and environmental media under study. Findings presented by some contributors include:

1 Some border communities have suffered more air pollution

Expanded road freight transport has led to an absolute increase in air pollution concentrations at Mexico-US and US-Canada border crossing points. Local infrastructure improvements haven't kept pace, so border truck transport congestion and related engine idling adds to the pollution. Border

communities have also been affected by added noise pollution and other environmental pressures.

MORE INFORMATION: Rachel M. Poynter and Sheila A. Holbrook-White (2002). "NAFTA Transportation Corridors: Approaches to Assessing Environmental Impacts and Alternatives." In CEC 2002.

2 There is little evidence of a "race to the bottom"

Contrary to some expectations, research indicates environmental quality and protection—as measured by a cluster of indicators—improved for all US states during the 1990s. Moreover researchers did not uncover any evidence of a change in the manner in which environmental

quality and protection was determined around the time of NAFTA's ratification.

MORE INFORMATION: G. Fredriksson and Daniel L. Millimet (2002). "Is There a Race to the Bottom in Environmental Policies? The Effects of NAFTA." In CEC 2002.

3 Regulatory gaps can lead to a "pollution haven" in some instances

At the aggregate level, across all sectors, there is little proof that variations in environmental regulations between NAFTA partners is leading to widespread "pollution havens." And, on average, the importance of environmental regulations is secondary to other factors in determining where investments are located.

Yet Canada has seen a nearly five-fold jump in hazardous waste imports from the United States since NAFTA came into effect. This growth, primarily from US steel and chemical sectors, comes at a time both sectors have undergone an

absolute decline in waste generation. The explanation would appear to be a widening gap between the two countries in the costs to industry of regulatory compliance—prompting the CEC Council to direct further comparative analysis to better support environmentally sound management of hazardous wastes.

MORE INFORMATION: Marisa Jacott et al. (2002), "The Generation and Management of Hazardous Wastes and Transboundary Hazardous Waste Shipments between Mexico, Canada, and the United States." In CEC 2002.

4 NAFTA-related free trade is linked to a marginal boost in several pollutants

Evidence arising from modeling work suggests that NAFTA has led to marginal increases in the emissions of a number of pollutants from three sectors: petroleum, base metals, and transportation equipment. Pollutant changes vary between countries. Total carbon-monoxide emissions are estimated to have increased two percent in the United States, largely from expanded output in the base-metals sector linked to NAFTA. In Mexico, a growing petroleum sector has meant hikes in CO, NO_x and SO₂ emissions. Additional NAFTA-linked transportation in Canada and the United States is responsible for more volatile organic compounds, as well as toxic releases

and bio-accumulative metals. In Mexico, a larger chemicals sector has led to a rise in toxic releases. By contrast, NAFTA-related contraction in Canada's base-metals sector coincides with a reduction in toxic releases from that sector.

MORE INFORMATION: Scott Vaughan and Greg Block (2002), "Free Trade and the Environment: The Picture Becomes Clearer."

5 Good policy makes the difference

The environmental assessment of free trade is a complex and evolving discipline. Research assembled by the CEC points to a trade-environment relationship that is anything but simple. Perhaps the fundamental conclusion is not that free trade itself is bad or good for the environment—but that freer trade and sustainable development need not be incompatible.

Trade liberalization that is supportive of environmental priorities can help achieve sustainable development—just as freer trade without strong environmental safeguards could trigger degradation. **The key lesson is that policy matters.** What separates the two paths is simply enlightened management of the trade-environment relationship.

6 Transparency makes better policy

The single most important lesson of the CEC's work on environmental assessment is a simple one: the public needs to be engaged early and often. Transparency and meaningful public input forms the foundation of democratic governance and is vital to ensuring legitimacy. Public participation is encouraged through all stages of the CEC's

work. The 2000 symposium, for example, followed a public call for papers that resulted in almost 60 submissions with 13 research papers accepted for publication. About 300 people participated in symposium discussions that were also web-cast live.

