

The greening of North America?

Environmental aspects of NAFTA

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The North American Free Trade Agreement (NAFTA) puts to the test the willingness of developed and developing countries to recognize their interdependence in a global economy and ecosystem by agreeing on how to manage the impact of economic development on the environment. This linkage has become strong, since many countries now use trade sanctions to enforce environmental agreements or to change the polluting behaviors of other nations. While many ecological concerns are valid, at times these sanctions may be disguised forms of protectionism, or reflect contentious disagreements over environmental issues. As Dixon Thompson suggests, the result can be heightened tensions between nations, as trade is "used increasingly as a legitimate tool for good resource and environmental management or as a weapon in the international battle of environmental ideologies."¹

¹ Dixon Thompson, "The Environmental Implications of North American Free Trade" in Stephen Randall (ed.), *North America Without Borders: Integrating Canada, the United States and Mexico* (Calgary, University of Calgary Press, 1992), p. 237.

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In the negotiation of the NAFTA, much attention was given to the environmental effects of freer trade and the trade sanctions which can be applied to environmental issues. Free trade in itself does not cause environmental problems. But it can potentially make them worse by encouraging rapid development without commensurate requirements for sound ecological practices. Free trade agreements which are silent on ecological matters can be used by one state to challenge regulatory regimes in another, undermining efforts at environmental protection, by treating such policies as trade sanctions to be weakened in the name of economic liberalization.²

The NAFTA debate raised complex questions over what mechanisms can be developed to enforce environmental standards across national boundaries. How can Canada and Mexico, which are so heavily dependent on U.S. markets, enter equitable enforcement

² Steven Shrybman, "Trading Away the Environment" in Ricardo Grinspun and Maxwell A. Cameron (eds.) *The Political Economy of North American Free Trade* (Montreal, McGill-Queen's University Press, 1993), p. 272.

mechanisms with that country, which is less reliant on trade with its neighbors? Will NAFTA and its environmental side agreement effectively control the development-ecology nexus in North America?

Supportive interpretations of NAFTA

Supporters argue that NAFTA provides a unique opportunity to tackle transborder problems of pollution, especially between Mexico and the United States. Without this accord, Mexico would have fewer resources and incentives to cooperate; U.S. tariffs would require Mexico to cut production costs by accepting polluting industries to compete in American and Canadian markets. Under free trade, Mexico's trade advantage will mostly be in labor-intensive and agricultural industries which may be "cleaner" than American or Canadian industry. As Grossman and Kruege argue: "Mexico, with a (purchasing power adjusted) per capita GDP of \$5,000, now is at the critical juncture in its development process where further growth should generate increased political pressures for environmental protection and perhaps a change in

private consumption behavior.”³ For free trade advocates, NAFTA will push Mexico across this threshold, and induce greater resources and public awareness to rectify the country’s environmental challenges.

Some economists argue that lax environmental regulations are a small incentive to industrial location. If not, there would already be an exodus of North American companies to countries with less regulations. Studies show that few industries would be induced to move south by creation of pollution havens in Mexico. Most companies would find it more costly to recreate their capital in Mexico than to comply with American or Canadian pollution controls.

If new plants are constructed in Mexico to take advantage of low-cost labor, these plants will use new pollution-free technologies, and may be cleaner than older Canadian or American plants. Liability rules for pollution and industrial accidents (like Bhopal) have forced most MNCs to adopt standards similar to U.S. laws, for fear of civil court penalties, which can be more effective than regulations in controlling pollution.⁴

Supporters of NAFTA argue that Mexico has increased its commitment to enforce its environmental laws, which on paper are comparable with those of North America. Mexico has acknowledged its environmental problems, and is taking steps to rectify them; including a ten-fold increase in resources for environmental protection and a border environmental plan for

waste and water management, with funding exceeding U.S. commitments to border cleanup as a percentage of GNP. NAFTA will provide the resources needed for Mexico to avoid becoming a “pollution haven.”⁵

Advocates hailed NAFTA as an environmentally-sensitive agreement. Canada’s official assessment of the treaty suggested: “The NAFTA establishes a new benchmark for environmentally sensitive international trade and economic relations. The environmental provisions of the NAFTA go well beyond those of any previous trade agreement.”⁶

NAFTA partners agreed not to lower environmental standards to attract investment, and to promote sustainable growth. NAFTA reduced tariffs on pollution control technologies, promoted information sharing on ecological standards, created a disputes resolution process with consultation of environmental experts, and gave precedence to major international environmental agreements.⁷

Defenders like Bruce Yandle concede that, “expanded trade with Mexico will surely generate instances of environmental degradation. But instead of viewing trade through static glasses, and isolated cases, we must focus on the broad, general tendencies that emanate from the dynamic economy.”⁸

Free market environmentalism and its gradual improvement of the environment is superior to a “command and control” regulatory approach which seeks instant protection at great cost. In the words of one Canadian

official, “Environmental sensitivity is a competitive advantage. Environmental protection is a marketplace commodity.”⁹

Critical interpretations of NAFTA

Critics argued that NAFTA in its original form contained only non-binding commitments to environmental sensitivity. NAFTA enshrined adverse GATT rulings limiting the use of trade sanctions to force changes in ecologically-damaging behaviors in other nations. NAFTA treated environmental matters as scientific concerns, subject to technical standards set by unaccountable international agencies.

NAFTA also created closed enforcement procedures, with advice on environmental concerns from a closed circle of advisors, not an accountable process of public review. NAFTA’s provision giving precedence to a few international environmental agreements may imply that future agreements signed by any of the parties will be subordinate to NAFTA unless all parties explicitly recognize them. For instance, if Mexico and Canada sign the accord on global warming, but the U.S. does not, the latter may use NAFTA to challenge Mexican and Canadian regulations designed to conform to this accord.

The agreement might work against the Brundtland Commission proposals by encouraging energy mega-projects and increasing energy consumption. Market forces, not environmental criteria would govern resource exploitation. In short, NAFTA would enshrine practices which work against sustainable development; practices

³ Gene M. Grossman and Alan B. Krueger, “Environmental Impacts of a North American Free Trade Agreement” in Peter M. Garber (ed.), *The Mexico-U.S. Free Trade Agreement* (Cambridge, Mass., MIT Press, 1993), p. 48.

⁴ Steven Globerman, “The Environmental Impacts of Trade Liberalization” in Terry L. Anderson (ed.), *NAFTA and the Environment* (Vancouver, Fraser Institute, 1993), pp. 35-6. Bruce Yandle, “Is Free Trade an Enemy of Environmental Quality?” in Anderson, 1993, p. 8.

⁵ Roberto Salinas-Leon, “Free Trade and Free Markets: A Mexican Perspective on the NAFTA” in Anderson, 1993, p. 23.

⁶ Government of Canada, *North American Free Trade Agreement: Canadian Environmental Review* (Executive Summary), Ottawa, 1992, p. 20.

⁷ William C. Clark, “NAFTA: a promising first step,” *Environment* 36 (March, 1994).

⁸ Yandle, 1993, p. 9.

⁹ Harry G. Rogers, “The Department of Science, Trade and Industry” in John Kirton and Sarah Richardson (eds.), *Trade, Environment and Competitiveness* (Ottawa, National Round Table on the Environment, 1992), p. 109. For the business position see Thomas D’Aquino, “Trade-Environment Links: Issues for Canadian Industry” in Kirton and Richardson, 1992, p. 33.

driven by economic logic and not ecological concerns.¹⁰

NAFTA's provisions against development of "pollution havens" were not enforceable; there were no mechanisms to enforce Mexico's existing environmental regulations, or to prevent an increasing gap between its practices and those of Canada or the U.S. Competitive pressures may work in the opposite direction, by encouraging Mexico to continue lax regulations to retain cost advantages for industry.

Free trade may encourage economic growth similar to that found already in Mexico in "maquiladora" industries, where environmentally damaging practices are common. Rapid growth can create new hazards, with little political will or infrastructure to tackle such problems. Despite Mexican efforts to increase resources for environmental inspections and control, critics feared that the lack of financial resources and technical capability would restrict Mexico's ability to ensure corporate compliance.¹¹

Mexican responses to environmental crisis

Mexican environmental problems have increased because of rapid growth since the adoption of the maquiladora program. Population growth and unplanned urban development have generated industrial waste, air pollution and domestic sewage. These problems have prompted cooperation between Mexico and the United States, especially the 1983 La Paz accord, which created a working relationship between environmental agencies in both countries.

¹⁰ See the discussion of the environmental problems associated with the existing maquiladora industries in Kathryn Kopinak, "The Maquiladorization of the Mexican Economy," in Grinspun and Cameron, 1993, pp. 154-55.

¹¹ Dianna Soulis, "Punishing Polluters," *Wall Street Journal*, Sept. 24, 1992.

The La Paz Agreement introduced joint planning on sewage treatment, hazardous waste disposal, ecological emergencies and air emissions standards.¹² While Mexican regulations are advanced for a developing nation, lack of finances and personnel creates problems for enforcement, including a climate in which underpaid officers accept bribes from companies.

But not all of the blame can be laid on domestic actors, given the failure of American corporations to live up to their commitments to help control hazardous emissions. Roberto Sánchez argues that up to 26% of American companies relocating in Mexico cite lower costs of compliance with environmental regulations as an important factor in their relocation decision.¹³ Despite the La Paz Agreement, American firms often do not return hazardous wastes for disposal in the U.S.; instead, factories often dump hazardous metals like mercury and aluminum, and toxic chemicals like xylene, vinyl chloride and PCBs. Combined with the dumping of raw sewage and garbage into these river systems, these chemicals pose health hazards to those who drink the water, eat foods irrigated from these rivers or even approach them in some places.¹⁴

¹² Jean Gilbreath Rich, *Planning the Border's Future: The Mexican-U.S. Integrated Border Environmental Plan* (Austin, LBJ School of Public Affairs, University of Texas, 1992).

¹³ Rodney E. Leonard and Eric Christensen, "Lax Enforcement of Environmental Laws in Mexico" in John Cavanagh, John Gershman, Karen Baker and Gretchen Helmke, *Trading Freedom: How Free Trade Affects Our Lives, Work, Environment* (San Francisco: Institute for Food and Development Policy, 1992), pp. 73-4.

¹⁴ Stanford Lewis, Marco Kaltofon and Gregory Ormsby, "Border Rivers in Peril" in John Cavanagh, John Gershman, Karen Baker and Gretchen Helmke, *Trading Freedom: How Free Trade Affects Our Lives, Work, Environment* (San Francisco: Institute for Food and Development Policy, 1992), pp. 68-70.

Since 1989, Mexico has started new programs in response to growing concerns about environmental degradation. The national development plan required consideration of environmental effects of development; laws were strengthened, new projects were subjected to stricter environmental criteria, air pollution and solid waste disposal in urban areas were targeted for improvement, and education and recycling initiatives were begun.¹⁵

The Secretaria de Desarrollo Urbano y Ecología (SEDUE) revamped its enforcement programs, increased the number of inspectors, forced companies to post bonds linked to compliance with targets for pollution and closed plants which didn't comply with these tougher standards. Local government powers were increased, with stronger guidelines for waste water disposal and construction of new sewage treatment plants.¹⁶

But much remains to be done, since SEDUE's budget remains low. American companies still leave up to 30% of their hazardous wastes in Mexico. A study by SEDUE suggested that only 35% of maquiladoras comply with Mexico's environmental standards. Foreign and domestic companies refuse to assume financial responsibility for ecological harm. And it is still politically difficult to enforce automobile emission standards in cities like Mexico City, where pollution has worsened because of increased traffic.¹⁷

¹⁵ Comisión Nacional de Ecología, *Informe de la situación general en materia de equilibrio, ecología y protección al ambiente, 1989-1990* (México, CONADE, 1990), p. 32.

¹⁶ Jan Gilbreath Rich, "Mexico: Free Trade and Ecology" *Hemisphere* 4,1 (Fall, 1991). "Mexico: More Muck than Money," *Economist*, Oct. 16, 1993.

¹⁷ Eugenio O. Valenciano, "El Acuerdo de Libre Comercio México-Estados Unidos y sus repercusiones en la frontera," *Integración latinoamericana* 17, Aug.-Sept. 1992. "Mexico: Under a cloud," *Economist*, April 4, 1992.

In 1991, under pressure from Congressional critics, the U.S. and Mexican governments started hearings on a plan for border environmental management. The plan was criticized for the lack of specific projects, inadequate coordination between agencies, and the low financial commitment. The plan did not address infrastructure, housing, environmentally-related health problems, water supply and quality, and disappearing flora and fauna. A revised plan was adopted in 1992, with improvements in monitoring, enforcement and the range of issues covered. Lack of transnational coordination, and an emphasis on local, as opposed to national or industrial, funding were still criticized. Mexico had to carry more than 50% of the costs, as the U.S. was reluctant to commit to funding of effective transboundary programs.¹⁸

Mexican observers suggest that opposition to NAFTA was motivated by protectionism, not by genuine ecological concerns. The Bootleggers and Baptists analogy used by Yandle to describe the unholy alliance of labor and environmentalists as NAFTA opponents is not without foundation, since some critics are concerned about protecting Northern jobs, not Southern ecology.¹⁹ Mexico cannot improve environmental standards in industry if national wealth and living standards are not rising sufficiently to produce adequate resources.

However, environmental problems in the border states of Mexico will remain troublesome to bilateral relations. National sovereignty cannot be used to justify inaction on what are now inherently transnational environmental issues. Transborder problems could provide justification for

American trade sanctions to promote change, or to protect against competitive Mexican imports. While public pressures and technological capacity create a cleaner productive sector, higher incomes bring an increase in consumption, generating new and intractable ecological problems.²⁰

As MacNeill states, "we have to ensure that trade liberalization agreements do not limit the range and choice of policy instruments that may be used to achieve environmental goals" by banning incentives to ecologically sound practices as "subsidies," or negating anti-pollution programs as "import restrictions."²¹

The negotiation of the environmental side agreement

Many environmental groups saw the negotiations as a chance to create trilateral agencies, charged with promotion of sound environmental practices. Unprecedented transnational cooperation occurred as environmental groups from the three countries developed proposals for the "greening" of NAFTA, through the creation of a North American Commission on the Environment (NACE).

As originally proposed, the NACE would respond to public complaints about practices in the three countries, hold public hearings on enforcement issues, and turn cases over to NAFTA disputes-resolution panels, which could apply trade sanctions.²² All three

governments accepted a trilateral institution in 1992, when President Bush was facing reelection. But the NACE had an advisory role, without enforcement mechanisms, as the three governments refused to surrender sovereignty to a trilateral agency.

During the 1992 campaign, Bill Clinton pledged to strengthen the NACE to permit enforcement. After his inauguration, the Americans called for trade sanctions to be applied against any country which failed to enforce its environmental laws. Complaints could be brought by governments, the NACE secretariat or by private parties and non-government organizations. Canada and Mexico resisted this as a violation of their sovereignty and proposed weaker policies without recourse to trade sanctions.²³ Clinton forced the negotiation of a side agreement which compromised between the U.S. desire for enforcement and Mexican and Canadian preference for non-binding cooperation.

The North American Agreement on Environmental Cooperation (NAEEC) accepted that national laws were the main means for environmental protection, and recognized the differences between the economic, environmental and technological situations of the countries. The agreement emphasizes cooperation and information exchange, through the North American Commission on Environmental Cooperation.

The NAEEC has a secretariat and public advisory committee, and is directed by cabinet-level officers of environmental affairs. The agreement encourages the countries to enforce their laws. "Under the side agreement, the secretariat may

¹⁸ Rich, 1992, p. 28 and *passim*; Leonard and Christensen, p. 73.

¹⁹ Bruce Yandle, "Bootleggers and Baptists—Environmentalists and Protectionists: Old Reasons for New Coalitions" in Anderson, 1993, p. 93.

²⁰ Jeffrey A. Mello, "The Environmental Cost of Free Trade" *Business and Society Review*, 91 (Fall, 1994), pp. 18-28.

²¹ Jim MacNeill, "Trade-Environment Links: The Global Dimension" in Kirton and Richardson, 1992, p. 17.

²² "Presentaron grupos ecologistas de México, Canadá y EU una propuesta: La Comisión para el Ambiente debe proteger la salud y los recursos naturales de las tres naciones," *La Jornada*, April 16, 1993. Stewart Hudson, "The NAFTA-NACE Relationship" in Sarah Richardson (ed.), *The North American Free Trade Agreement and the North American Commission on the Environment* (Ottawa, National Round Table on the Environment and the Economy, 1993), pp. 16-9.

²³ Gilbert R. Winham, "Enforcement of Environmental Measures: The North American Agreement on Environmental Cooperation" (unpublished manuscript, 1993), pp. 3-8; forthcoming in *Journal of Environment and Development*.

consider a submission from any individual or public group asserting that a party is failing to effectively enforce its environmental law, so long as the secretariat finds the submission 'appears to be aimed at promoting enforcement rather than at harassing industry.'²⁴

Supporters argued that the NACEC allowed effective monitoring of each country's compliance with its own environmental laws, and should promote improvements in Mexican standards. Groups like the World Wildlife Foundation supported NACEC as an improvement over the present unregulated system of trade and investment. Conservative critics suggested that NAFTA and its side agreement would lead to a strengthening of regulation at the expense of free markets.²⁵

However, the side agreement deviates from Clinton's ambitions, reflecting Mexican and Canadian concern over sovereignty and their fear of the U.S. ability to use trade sanctions to harass its trading partners. The independence of the NACE secretariat was limited and its role was subordinated to the ministerial council. The secretariat and private complainants have no authority to initiate disputes settlement hearings or trade sanctions. The grounds for sanctions were limited by removing references to "unjustifiable" failure to enforce laws, and giving greater recognition to the discretion of national officials.

²⁴ "U.S. Green Groups to Provide Input on NACEC Complaint Process," *Inside NAFTA*, Jan 11, 1995, p. 12. Luis Miguel Díaz, "Private Rights Under the Environment and Labor Agreements", *US-Mexico Labor Law Journal* (Vol 2 Symposium, 1994).

²⁵ Daniel Magraw and Steve Charnovitz, "NAFTA's Repercussions: Is Green Trade Possible?," *Environment* 36, 2 (March, 1994); Alexander Cockburn, "Land of the Free-For-All," *New Statesman & Society* 6, 279 (Nov. 19, 1993). "By a Side Door" *National Review* 45, 21 (Nov. 1, 1993).

Canada insisted on exemptions for commercial harvests, natural resources, and aboriginal rights. While trade sanctions (or fines on government in Canada's case) may be used against failure of any country to enforce its own laws, sanctions can only be invoked by a panel set up by a ministerial decision of two of the countries; and then after a lengthy process to seek alternative solutions.²⁶

Some environmental groups are unhappy that the NACE was not given the full scope of powers which they had advocated. Greenpeace argued that the side agreement did not rectify NAFTA's detrimental impact on resource conservation, sustainable agriculture, "green" procurement, workplace environment and health conditions, and border pollution.

Greenpeace decried the lack of strong mechanisms for investigating complaints and the secret process which relies on national data collection; the complex procedures for implementation of trade sanctions which make restraint in cases of persistent national failure to enforce environmental laws highly unlikely; the reliance on existing national laws, and the failure to require nations to implement regulations consistent with international standards; the exclusion of natural resource development and prohibition on national restrictions on foreign corporate access to natural resources; and a deregulatory emphasis that may encourage nations to avoid new environmental standards to attract investment.²⁷

²⁶ Winham, "Enforcement of Environmental Measures," pp. 11-18. "Comisiones trilaterales, sin carácter supranacional México y Canadá" *El Día*, April 15, 1993.

²⁷ Greenpeace, *NAFTA & The North American Agreement on Environmental Cooperation* (NAAEC): *Side-stepping the Environment* (Washington, 1993).

Other groups lament the lack of agreement on criteria for genuine complaints as opposed to trade harassment. Business groups have balked at a "primary purpose test" of complaints, and it has been difficult for the NACEC to develop standards necessary to hear its first complaints. Business and agricultural producers allege that environmental guidelines have already been used to block competition, with Mexican limitations on imports of American peaches and eggs, and American restrictions on Mexican avocados, for alleged phytosanitary reasons.

This reflects a basic problem in reconciling trade and environmental standards: whether regulations should have to be justified in advance as non-protectionist, or whether challengers must prove that regulations do not have a legitimate ecological objective.²⁸

However, there have been accomplishments since the adoption of NAFTA. The North American Development Bank, based in San Antonio, made a substantial financial commitment to border environmental and infrastructure projects, especially for the Frontier Environment Program. The Inter-American Development Bank and World Bank loans to Mexico provide substantial new sources of funding for water and sanitation services, border cleanup and solid waste disposal, committing up to \$1.8 billion over five years.²⁹

²⁸ "U.S. Green Groups to Provide Input on NACEC Complaint Process," *Inside NAFTA*, Jan. 11, 1995, p. 12. Kevin Hall, "California Peach Growers Missing Fruits of NAFTA in Mexican Barrier Dispute," *Journal of Commerce*, August 3, 1994.

Stewart Hudson, "Trade, Environment and the Pursuit of Sustainable Development" in Patrick Low (ed.), *International Trade and the Environment* (World Bank Discussion Paper No. 159, Washington, 1992).

²⁹ *La Jornada*, October 28, 1993; "U.S., Mexico to Sign Environment Loan," *Journal of Commerce*, October 21, 1993.

The Border Environmental Cooperation Commission brought together Americans and Mexicans to develop projects for cleanup of the border environment. Plants in the maquiladora zone faced stronger environmental enforcement, and new provisions for governing hazardous wastes, air emissions and landfills. Maquiladora plants in Matamoros were ordered to pay \$10 million to settle law suits over birth defects in Brownsville, Texas. Firms from the U.S., Britain and France cooperated with municipalities like Cuernavaca, Aguascalientes and Cancun to construct new sewage and water treatment facilities.³⁰

Critics point out that these programs require matching funds from Mexico, which will be hard to raise in the current crisis. These financial arrangements will increase Mexico's debt without correcting existing problems, like lack of participation, secrecy in monitoring and violations, lack of tracking of hazardous waste, insufficient coordination, and absence of sustainable funding such as making polluters pay for cleanups.

Under fiscal pressure, the Mexican government might invest in job-creating industries, rather than in environmental cleanup. Mexico continued its GATT challenge to the U.S. ban on imports of Mexican tuna, harvested in a manner threatening to dolphins. The Chamber of Deputies rejected a ban on imports of toxic wastes, allowing companies to bring in such wastes for dumping or as an alternative fuel.

Mexican environmentalists protested their exclusion from the advisory committee to the NACEC.³¹

³⁰ Scott Pendleton, "Mexican Sewage Plant Proves to be 'NAFTA Dream Come True,'" *Christian Science Monitor*, July 11, 1994.

³¹ Leon Lazaroff, "The Polluted Border," *El Financiero Internacional*, November 29-December 5, 1993. Michael Kleinberg, "Eco-Groups Balk at NAFTA Choices," *The News Mexico City*, July 23, 1994.

Texas communities are concerned about new projects near the border, including a power generation plant whose emissions could become an environmental challenge under the NACEC. The U.S. EPA has refused requests from border communities to require U.S. companies in Mexico to report on discharges into shared waterways.³²

Reconciling environmental accords with national sovereignty

In sum, while much remains to be done, the NAFTA debate witnessed important gains for environmentalists. The inclusion of environmental issues in a trade agreement established a precedent which could affect future trade negotiations. NAFTA's rejection of pollution havens, establishment of the NACEC, and the commitment to financing for cleanup projects, reflected the success of environmental groups in forming a new awareness of the impact of trade and development on the environment.

The transnational connections established during the NAFTA debate also hold out the prospect for concerted action by groups in the three countries, and the exchange of information will help increase awareness on environmental issues. While anti-NAFTA environmentalists reject the free trade ideology, many groups recognize that transnational environmental problems will not be solved by a retreat to closed borders. Creation of transnational institutions and coalitions in favor of environmental protection will be required, and the institutions created by NAFTA, although imperfect, may be a first step in this cross-border cooperation.

³² "Mexican Power Plant Could Be Target of NAFTA Green Complaint," *Inside NAFTA*, April 20, 1994. "Is Scrutiny in Store for Cross-Border Polluters?" *National Law Journal*, March 28, 1994.

How extensive the changes in Mexican and North American environmental practices have been remains to be seen. The U.S. goal upon entering the side agreement was to ensure enforcement of environmental aspects of NAFTA by trade sanctions. This goal was only partially realized because the governments of Canada and Mexico perceived a threat to national sovereignty from trade sanctions. Because Canada and Mexico are more dependent on trade with the U.S. as a percentage of GNP, trade sanctions would be a more potent weapon for the U.S. than for the Canadians or Mexicans.

On the other hand, these societies have little choice but to enter into some arrangement with their powerful neighbor to improve environmental quality on the continent. For Canada, this is crucial, since a high percentage of air and water borne pollutants affecting its environment originate in the United States. For Mexico, the political issue of transborder pollution from that country into the southern United States will be a continuing irritant in bilateral relations.

The sovereignty concerns of small states are major stumbling blocks to international accords on environmental protection. Trade partners must develop mechanisms which are more readily reconciled with the concerns of small states but which at the same time promote the enforcement of environmental standards. Without any effective accord (or even with one) Canada and Mexico will remain vulnerable to unilateral trade actions by the U.S., responding to the local and industry interests which are so powerful in Congress.

Environmental concerns as well as trade disputes will possibly be employed by those with protectionist motives, in an effort to mould trade partners' actions in ways desirable to the U.S. ❖