THE ENVIRONMENTAL IMPLICATIONS OF NORTH AMERICAN FREE TRADE

by Alison L. Stewart

INTRODUCTION

Mexico’s environment is in crisis. In Acapulco, children play in marshes filled with trash, glass, and sewage only yards away from new luxury hotels. Conditions in Mexico City are worse. La contaminación hovers close over the Valley of Mexico, blocking the view of the mountains that surround the city. The pollution is so bad that doctors advise pregnant women to leave the city indefinitely for the health of their unborn. It is unsafe to run or jog in the morning and evening hours due to the high levels of air pollution occurring at those times.

However, Mexican attitudes about pollution are changing. No longer able to ignore the conditions in their country, Mexicans are finally taking notice of the state of their environment. Environmental groups such as the “Grupo de Cien” (“Group of One Hundred”) have successfully influenced governmental policy on a number of issues. President Carlos Salinas de Gortari has not only enacted some of Mexico’s toughest environmental legislation but is enforcing it. He has already closed the largest oil refinery in Mexico for contamination violations and has closed other plants and factories for violations as well. President Salinas is sending the message to industry that Mexico is serious about enforcing its new rules.

Salinas’ goals for Mexico’s environment are integrally linked to the North American Free Trade Agreement (NAFTA) presently being negotiated between Mexico, Canada, and the United States. In fact, American critics claim that Salinas’ environmental actions are wholly motivated by the NAFTA and are only attempts to appease U.S. environmental interests. They fear that once an agreement is reached, Mexico’s recent interest in environmental regulation will dissipate and U.S. companies will continue to flock to Mexico to take advantage of its “lax” environmental standards. NAFTA’s critics are particularly concerned about the potential for increased transboundary air and water pollution from the border region between Mexico and the United States.

Some Mexican experts fear the worst as well. Understandably, they fear the environmental effects free trade could have on Mexico, not on the United States. They predict that U.S. companies will disobey or disregard new Mexican environmental laws in their quest for cheap labor and resources. Their fears may be justified: U.S. owned maquiladora plants are notorious for abusing Mexico’s environment.

This article will address the recent Mexican advances in environmental regulation and describe Mexico’s new commitment to improving its environment. Despite fears to the contrary, the Mexicans are both willing and able to start protecting the environmental integrity of their country. Both the United States and Mexico fear the adverse environmental effects that free trade might bring; this article will explore what each country needs to do to ensure compliance with proper environmental standards, from both sides of the border.

I. MEXICO’S ENVIRONMENTAL CRISIS

Although the border region attracts the most scrutiny, Mexico faces environmental problems in many areas. For example, Mexico City is plagued with industrial pollution. Three-quarters of Mexico City’s air pollution comes from automobiles: 15,000 “smoke-belching” buses, 40,000 taxis and almost 3 million automobiles. (Time, April 1, 1991, p. 61.) Farther east in Veracruz, mountain streams run brown with discharge from coffee processing...
Traditionally, enforcement of environmental standards on maquiladoras in the border region was quite lax. To combat its environmental problems, Mexico is developing one of the toughest positions on pollution in the developing world. Recently, the United States has taken a greater interest in Mexico's progress in environmental regulation. This concern arises partly from the tremendous amount of transboundary hazardous waste, water and air pollution being generated by maquiladora plants on the Mexican side of the border. This pollution continues despite new Mexican environmental laws targeted directly at the maquiladoras.

Maquiladoras are processing plants located in Mexico but owned by U.S. corporations. Maquiladoras receive raw material and machinery duty-free from the U.S., assemble it, and return the finished products to the U.S. with duties limited to the value added by processing in Mexico (Villalobos & Barshop, p. 705). The Mexican government established the maquiladora industry in 1965 to stimulate economic development in northern Mexico. Now over 1,760 maquiladora plants operate at the border, employing over 437,000 workers and generating approximately $3.1 billion each year in profits (CFO, "Coming into the Country," Sept. 1991, p. 43). In the past, border towns like Nogales, Tijuana, and Ciudad Juarez hosted the overwhelming majority of these plants. Today smaller border and inland cities are considered attractive locations for new maquiladoras due to saturated labor markets in the bigger cities (Sanchez, p. 165, fn 7).

Traditionally, enforcement of environmental standards on maquiladoras in the border region was quite lax. As a result, the American Medical Association's Council on Scientific Affairs now calls the border zone a "virtual cesspool" of pollution and disease. (Michael McCloskey, Speech before the Senate Committee on Foreign Relations, March 22, 1991.) According to Eduardo Siqueiros, a practicing attorney and law professor in Mexico City, Mexico was always more relaxed than the U.S. about enforcing its environmental standards in the region.

Fortunately, Mexicans are no longer turning a blind eye to their problems. Recent increases in environmental regulation, enforcement, and public awareness portray a nation ready for change. In fact, these changes are being implemented even faster than expected.

II. CHANGING MEXICAN ATTITUDES

According to Prof. Siqueiros, the Mexican government is now strictly enforcing its environmental regulations in the border zone. (Lecture in Mexico City, June 28, 1991.) For example, any company that wants to start up a maquiladora must now submit an Environmental Impact Statement to the Secretariat of Urban Development and Ecology (SEDUE), the Mexican counterpart to the United States' Environmental Protection Agency (EPA), prior to undertaking any activity that could potentially affect ecological equilibrium or environmental quality in the border region (Gonzalez & Rodriguez, p. 669, fn 44). SEDUE is also closing down maquiladoras which fail to meet Mexican environmental protection standards (The News, "Getting Industries to Treat Waste," Mexico City, June 29, 1991). Soon, supporters of free trade argue, strict enforcement will guarantee compliance with environmental laws at the border.

President Salinas has made similar efforts to cut down on pollution all over Mexico. Last March he shut down factories which did not conform to Mexico's 1988 General Ecology Law, including the largest oil refinery in Mexico City. The Azcapotzalco refinery had been in operation since 1933 and provided 34% of the city's gasoline and 85% of its diesel fuel. It also spewed as much as 88,000 tons of contaminants into the atmosphere each year and was by itself responsible for up to 7% of the city's industrial air pollution (Time, April 1, 1991, p. 61).
President Salinas also began several programs to cut automobile pollution. His new programs include a one-day-a-week non-circulation program for automobiles and the revamping of 3,500 buses with cleaner engines. He also announced a $1.3 million program to replace antiquated taxis and buses (Id.).

Even Mexican industry is getting on the environmental bandwagon. Petroleos Mexicanos (PEMEX), the state-owned oil company and only producer and refiner of oil in Mexico, has embarked on its own program of change in response to the administration’s hard line on the environment. For example, PEMEX hopes to borrow $5 billion over the next 5 years from the Export-Import Bank of Japan to finance an extensive Proyecto Ecologico. SEDUE and PEMEX will share the loan and apply it to cleaning up the transportation and oil industries. PEMEX is also examining California water standards as part of a plan to help create strict water-use guidelines in Mexico. Says President Salinas, “We are willing, as we have already shown, to take strong, difficult, and costly measures ... to improve the quality of gasoline and of the environment” (CFO, “On the Fast Track to Mexico,” p. 38). Examining these developments in detail, it is clear that Salinas means business.

The most significant change in Mexico is the emergence of the environmentally conscious Mexican citizen. The environmentally-aware citizen is now a contributor to the environmental policy-making process. Citizen and activist accomplishments range from
organizing a “Bicycle Awareness” campaign in Mexico City to successfully halting construction of a new railroad which failed to register with SEDUE (L.A. Times, November 17, 1991). This change in attitude at the Mexican grass roots level will help make environmental policies permanent. “They will not only come from the political will of a president, but mostly as a permanent demand from society,” says Salinas (Id.).

III. US/MEXICO ENVIRONMENTAL COOPERATION: PAST AND PRESENT

The headlines seem to indicate that Mexico just recently became environmentally aware. In fact, some commentators describe Salinas as not only the driving force behind Mexican environmental progress but its originator. However, Mexico was attempting to clean up its environment for quite some time before Salinas was elected president in 1988. Early efforts concentrated on Mexican and U.S. cooperation at the border.

Environmental cooperation between the U.S. and Mexico began about thirteen years ago, when the EPA and SEDUE agreed to identify environmental problems in the border area and to establish parallel projects to correct them. (Memorandum of Understanding Between the Subsecretariat for Environmental Improvement of Mexico and the Environmental Protection Agency of the United States, June 19, 1978, United States-Mexico, 30 U.S.T. 1574, T.I.A.S. No. 9264.) In 1983, the same two agencies signed the “Agreement to Cooperate in the Solution of Environmental Problems in the Border Area,” also known as the “La Paz Agreement.” That agreement, which superseded the 1978 Memorandum of Understanding, defined the Border Zone as an area 100 km on each side of the international boundary. It also set forth these objectives: "to establish the basis for cooperation between the Parties for the protection, improvement and conservation of the environment and the problems which affect it, as well as to agree on necessary measures to prevent and control pollution in the border area, and to provide the framework for development of a system of notification for emergency situations." (Mexico-United States Agreement to Cooperate in the solution of Environmental Problems in the Border Area, Aug. 14, 1983, 22 I.L.M 1025 (1983), Art. I.)

EPA and SEDUE eventually added five annexes to the agreement. They provided for cooperative action regarding: 1) water sanitation in the Tijuana area, 2) discharges (spills) of hazardous materials in the border area, 3) transboundary shipment of hazardous wastes and substances, 4) concerns surrounding transboundary air pollution, and 5) the monitoring of toxic emissions at the border (Rose, pp. 234-236). According to some commentators, the EPA and SEDUE’s implementation of Annex Five was particularly successful. A “joint response” team, addressing accidental spills of hazardous substances, proved to be “streamlined and efficient” (Id., at 242).

On the purely domestic front, Mexico’s 1982 Environmental Protection Law, amended in 1984, set out regulations regarding air, water, marine and soil contamination caused by hazardous waste pollution. Along with Annex III to the La Paz agreement, that law was the foundation for the 1987 “Decree Relating to Import or Export of Hazardous Materials,” applied to the handling of hazardous materials of U.S. origin (Diario Official January 19, 1987; Rose, p. 237). In 1987, the Mexican government also amended Article 27 of its Constitution to read, “the Nation shall at all times have the right to impose on private ownership measures required by the public interest... to preserve and restore the ecological balance.”
Last November, in keeping with the decade-old tradition of bilateral cooperation, President Salinas approached President Bush to discuss environmental cooperation along the border (Alonzo interview, July 6, 1991). Following that meeting, both presidents issued a joint communiqué emphasizing "the need for ongoing cooperation in the area of environmental protection." They requested a "comprehensive" environmental plan for the border based on the 1983 La Paz Agreement.

In response to the Presidents’ request, EPA and SEDUE are now developing a program whose goal is to solve pollution problems in the border area. The plan is called the "Integrated Environmental Plan for the Mexico-U.S. Border Area," also known as the "Integrated Border Plan" (IBP). Businesses, academic institutions and environmental organizations will play an active role in the plan’s development and implementation. Representatives from both the public and private sectors will review the plan, comment on it and submit ideas on how to make it work. (Integrated Environmental Plan for the Mexico-U.S. Border Area, Working Draft, 1991.)

Under the IBP, EPA will cooperate with SEDUE to help Mexico develop environmental priorities and construct the infrastructure it needs to enforce its new environmental regulations. Following both public comment and review by the appropriate government agencies, SEDUE and EPA will co-publish the Border Environmental Plan, First Stage (1991-94). The agencies will review and revise the plan again in 1994 through a process of governmental and public participation. They will monitor the plan’s implementation and progress on at least an annual basis (Id.).

The two agencies created a list of priorities for addressing the transboundary pollution problems in the Border Area. The goals of the IBP are as follows:

1. to control industrial and municipal discharges into surface waters to prevent/reduce contamination of surface and subsurface waters;
2. to monitor/track the movement and disposal of hazardous wastes to ensure environmentally sound disposal and prevent contamination of surface or subsurface waters;
3. to prevent air pollution which exceeds ambient standards by controlling stationary, area, fugitive and mobile source emissions; and
4. to develop contingency and emergency response plans for hazardous material emergencies.

(Id.) The Plan addresses each of these areas in detail. It ends with recommendations for cooperative enforcement strategies, protecting transboundary resources, financing environmental protection in the Border Area, mobilizing private sector support, establishing joint emergency planning and response capability, coordinating environmental programs, holding Border Area environmental Round Table meetings, and setting up other programs to promote public awareness and increase public participation in the Border Environmental Plan (Id.).

Bi-national working groups set up under the 1983 La Paz Agreement provided most of the expertise on which the IBP is based. Acting on their recommendation, SEDUE and EPA added a new working group dealing specifically with enforcement of the IBP. In addition, SEDUE plans to deploy 200 new environmental inspectors in the border zone to monitor the maquiladora’s compliance with the plan. (Wise, Speech before the American Bar Association Conference on North American Energy, Trade and Environmental Policy, October 29, 1990.)

IBP creators feel certain that the IBP will curtail pollution discharge in the border area.

IBP implementation has already begun, as EPA officials in Mexico City and at the border work hand in hand with SEDUE officials to make the plan work. (Alonzo interview, July 6, 1991). The cooperation between these organizations is commendable and unprec-
The success of the IBP depends primarily on maquiladora compliance.

IV. NAFTA IS ESSENTIAL FOR ATTAINING MEXICO'S ENVIRONMENTAL GOALS

Passage of NAFTA is essential for Mexico's continued environmental progress. Supporters of free trade argue that "stringent regulations are luxuries that only the most prosperous and highly developed economies can afford." By promoting further economic growth in Mexico, free trade will actually help Mexico achieve the level of environmental protection that exists in the US and Canada (Sacramento Bee, May 5, 1991, Forum p. 6). Mexico's progress to date indicates a desire to reach such a goal.

While the EPA's official position is that environmental negotiation should remain separate from the actual free trade talks, (Alonzo interview, July 6, 1991). EPA and SEDUE plan to address the environmental issues in the IBP rather than include environmental provisions in the free trade agreement itself. EPA administrator William Reilly said that although a free trade agreement may ban the import of certain pesticides and other chemicals, it probably will not seek to remedy pollution along the border or to force Mexico to tighten environmental standards on its industry. "I think (those concerns) don't belong in the free trade agreement," Reilly said. "To the degree that we put them there, we will find it's difficult to be very specific about precisely what it is we want to have happen." (San Francisco Chronicle, April 16, 1991).

Yet several environmental groups oppose the way the administration and EPA are handling the free-trade negotiations. In September, the Sierra Club, Friends of the Earth, and Public Citizens filed a lawsuit against the U.S. Trade Office charging the Bush administration with failing to comply with the National Environmental Policy Act (NEPA) during the free-trade talks (Wise lecture, October 29, 1991). Under that 20-year-old law, all federal agencies are required to prepare Environmental Assessments (EA) or Environmental Impact Statements (EIS) to determine how proposed actions might affect the environment. Although the U.S. Trade Office is preparing an "environmental review" of the proposed free-trade agreement, the Sierra Club contends it does not meet requirements established by the law.

At this time a court decision is pending. According to John Wise, an EPA Deputy Regional Administrator, negotiations could be delayed for several years if the court decides a formal EIS is required (Wise lecture, October 29, 1991).

The above-mentioned environmental groups see the lack of an EIS as foreshadowing the decline of U.S. environmental standards. Their position represents the "harmonization" theory of free trade with Mexico. Proponents of this theory fear that in addition to offering an "avenue for evading a whole host of U.S. environmental, worker-safety, and consumer protection laws, a free trade agreement could also result in irresistible pressure to relax the enforcement of these regulations within the U.S." (Nader, R. & Waldman, M., "Off-Track," The New Republic, June 3, 1991, p. 16) According to this theory, American business organizations will seek relief from such laws and regulations by arguing that it is unfair to expect them to compete against rivals located in Mexico, where the regulatory climate is far less restrictive. Such inequality, critics fear, will lead to harmonization of standards to the "lowest common denominator." (Id.)

Such concerns may not be completely unfounded. Even in Mexico, some experts fear how free trade will affect Mexico's recent environmental progress. According to Dr. Alberto Székely, former foreign ministry official and professor of international law in Mexico, the
groups responsible for ensuring compliance with EPA/SEDUE bilateral environmental agreements lack sufficient mechanisms to force obedience. The Mexican government has not yet issued implementing legislation, known as reglamento, specifying standards and procedures for complying with new environmental laws (Rose, p. 237). Furthermore, as of the summer of 1991, no major bill or initiative was before the Mexican Congress regarding enforcement of environmental regulations. According to Dr. Székely, without such legislation any Integrated Border Plan enforcement committees will be powerless (Telephone interview, August 9, 1991). With the advent of free trade, says Székely, the border region will still be a “paradise” for U.S. companies wishing to avoid environmental accountability (Id.).

American critics are quick to agree. According to Michael McCloskey of the Sierra Club, the IBP will be unenforceable against the polluters in the border region. Because an agreement does not carry the same weight of authority as a treaty (Rose, p. 241), the U.S. can’t force U.S.-owned factories to comply with Mexican environmental laws. Therefore, the IBP will simply be a program of “voluntary compliance.” (McCloskey, Speech before the House Subcommittee on Regulation, Business Opportunities and Energy of the Small Business Committee, Sept. 30, 1991.) According to McCloskey, the Integrated Border Plan is doomed to fail.

V. LEGAL SOLUTIONS TO THE PROBLEM OF NON-COMPLIANCE WITH MEXICAN ENVIRONMENTAL LAWS

Even without Mexican implementing legislation, however, a recent development in Texas may signal one way to ensure that maquiladoras and other U.S. companies operating in Mexico comply with Mexican environmental laws. In Dow Chemical Co. v. Castro Alfaro, 786 S.W.2d 674 (Tex. 1990), the Texas Supreme Court held that Texas state courts may no longer dismiss personal injury or wrongful death actions solely on the basis of the forum non conveniens doctrine. Forum non conveniens dismissals occur when the court determines that it would be more convenient to try a case elsewhere (See Piper Aircraft Co. v. Reyno, 454 U.S. 235 (1981), for the development of the doctrine in transnational cases). Now a foreign plaintiff can sue a U.S. company in Texas state courts for injuries incurred abroad.

For companies either incorporated in Texas or with significant operations there, the Dow decision is a momentous one. However, most foreign-plaintiff cases are easily transferred from state to federal court, where cases are still routinely dismissed under the forum non conveniens rule (Berger, p. 28, fn 20). Therefore, unless Congress enacts legislation abolishing the forum non conveniens rule completely, such cases will still usually be subject to dismissal by federal courts (Id.).

If Congress would follow Texas’ lead and limit or abolish the forum non conveniens doctrine, it could create a whole new system for enforcing accountability. Fear of injured plaintiffs bringing lawsuits would increase companies’ compliance with EPA and Mexican environmental regulations more than any specific environmental provisions in the free trade agreement ever could. U.S. companies would seek to protect themselves from suit by complying with the standards.

Private U.S. citizen and class action suits could also aid considerably in forcing compliance with environmental regulations in Mexico. State long-arm statutes could reach U.S. owned industries based in Mexico if their activities in Mexico injured someone in the state (Rose, p. 243). Releasing hazardous materials into the air or water, thereby exposing U.S. (as well as Mexican) citizens to contamination, could meet the “minimum contact” requirements...
necessary to establish jurisdiction in a toxic tort suit (Id.). Again, the prospect of litigation would serve as a strong deterrent against environmental abuse on the part of the maquiladora plants or any other new industries starting up in Mexico.

CONCLUSION

The concerns voiced by critics of NAFTA are very real. Yet despite both their concerns and the Mexican Congress' seeming reluctance to enact implementing legislation, President Salinas vows that strict enforcement of environmental regulations will continue and increase in Mexico. Salinas concedes that Mexico has "much to do" to improve environmental regulation, but he insists that he is "committed to a clean environment." Said Salinas, "We don't want our children to paint (pictures of) the sky gray without any stars because they can't see the stars." (CFO, "On the Fast Track to Mexico," p. 38).

Says Sharyn O'Halloran, consultant to Mexico on trade issues and member of Stanford University's public policy program, "Mexico will continue to grow with or without NAFTA, and pollution will increase without it." (Sacramento Bee, Sept. 17, 1991, at B3) Most of the pollution coming from Mexico which affects the United States is produced by American maquiladora plants operating at the border. Obviously, any efforts to protect the transborder environment have to target these operations specifically.

The Integrated Border Plan is the first step in that direction. Through cooperative efforts by EPA and SEDUE, Mexico is developing both a regulatory and enforcement infrastructure to address the needs of the border area. As Mexico develops that infrastructure and strengthens its enforcement mechanisms, maquiladoras and other burgeoning industries will face increasingly stringent standards. Failure to abide by the rules will lead to plant closings, fines, and even criminal sanctions (Gonzalez & Rodriguez, p. 699).

Equally persuasive will be the option for injured citizens of both countries to pursue clean-up costs and civil damages under both US and Mexican tort law. U.S. parent corporations will be held accountable before U.S. courts as well as Mexican ones, and held to U.S. standards as well as Mexican standards (Id. at 700).

A recent report issued by the International Trade Commission concludes that "there is every reason to believe that, absent a free trade agreement, Salinas would find it extraordinarily difficult to continue with a domestic economic reform agenda that includes a number of politically unpopular steps." (Sacramento Bee, May 5, 1991, Forum p. 6) Recognizing this fact, environmentalists need to help, not hinder. Rather than oppose free trade, environmentally concerned North Americans should use it as an opportunity to help Mexico develop new, safer environmental standards. Environmental groups should use their influence with the media and their leverage in influencing general policy-making to pressure parent companies to rein in the activities of their Mexican subsidiaries. They should contribute to the implementation of the Integrated Border Plan by focusing their efforts on increasing environmental awareness in the border area and encouraging the public to support the joint efforts there.

According to a young Mexico City attorney, Mexico has a history of not caring about its environment. "But," she continues, "free trade will be good for Mexico if we use the technology and other developments of the U.S. to help us change." (Osorio interview, September 10, 1991). The free trade agreement and the Integrated Border Plan present Mexico and the U.S. with the opportunity to heal the environmental wounds both countries share. We must help facilitate this process in any way possible.
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