

Concluding Session of the
[Second North American Symposium on Assessing Environmental Effects of Trade](#)
March 26, 2003
Hotel Marquis Reforma
Mexico City

[North American Commission for Environmental Cooperation](#),
in collaboration with
the [United Nations Environment Programme](#)

Session Chair: John Kirton, University of Toronto

Panelists: Scott Vaughan, [Carnegie Endowment for International Peace](#)
Chantal Line Carpentier, [Commission for Environmental Cooperation](#)
Charles Arden-Clarke, Economics and Trade Branch, [United Nations Environment Programme](#)

UNOFFICIAL TRANSCRIPT

John Kirton

Let me begin with a few thank-yous — first to you in the audience for your contributions over the past two days. This need not be the end to your valuable contributions, because before you is a questionnaire that I urge you to fill out so you can tell the CEC what it should do in the future. I also thank Environment Canada and Agriculture Canada for their financial support for last evening's reception, which was very important for ensuring expansion of our multistakeholder dialogue and a great start to what I hope will be a fine CEC tradition over the next few years. Thanks, too, to Victor Shantora, acting director of the CEC, for his guidance and leadership of the CEC in general and for the trade and environment program in particular, during these important times. And to Elizabeth Dowdeswell, chair of the Advisory Committee for her leadership of the committee and contribution to this project and conference today.

Those of us who were here in the beginning often said in those early years that it was too soon to tell what the effects of NAFTA were. Today maybe the first time we have not heard those comments in the good work of those who have presented papers here and in the first symposium. We're looking ahead, importantly, and doing so at an important moment. Next year is the 10th year of NAFTA and its side agreements, so it will be a time of reflecting on what we've accomplished and what we want for the next generation. What we've done here will contribute to the broader public debate. As we look ahead, we envisage new leadership at the CEC, with a new executive director building on the firm foundation of the good work of Victor and predecessors, the trade and environment work has become ever more central to the NAFTA community as a whole. As we look even a year ahead, we can anticipate a moment when all three countries will be under new leadership, every one having a leader who wasn't there at the launch of the first generation, and those leaders will no doubt have a vision of what they want.

To help them chart what that might be done in the field of trade and environment we have three leaders in the field. The first is Chantal Line Carpentier, whom we also owe a great deal of thanks for putting this symposium together, who will talk about the CEC's work now and what lies ahead. Scott will look ahead to next year and the NAFTA at 10, broadening the focus to a multilateral level, and then Charles will further broaden the focus to consider common hemisphere, which will be increasingly important as the FTAA deadline approaches.

Chantal Line Carpentier

Thank you to those of you who have chosen to stay here. I'd like to go back to Vic's opening remarks saying that this is the second symposium, and the results from our first one are in "[Free Trade and the Environment: The Picture Becomes Clearer](#)." Scott was the lead author of this document, and in the appendix there is a discussion of the themes arising from the document. I

thought I would try to see if we have made some progress. Is the picture becoming even clearer, 10 years, 13 papers, two symposiums later?

The first issue is “Examining specific environment-trade linkages should be designed to yield policy-relevant outcomes. At the same time, non-trade-related driving forces of environmental change should not be ignored.” Clearly the discussion over the last two days, as the rapporteurs, along with the other rapporteurs. We’re still in the infancy of documenting the trade and environment links. Although the CEC has the best documented effects available, we are still in the infancy of the process, but we are crowding out the water in the realm of trade and environment policy links. Policy is the next step. We need to continue to document the effects, and not just of NAFTA. We need to be more inclusive. At our January 2002 meeting with the governments, it was clear that just focusing on NAFTA was not enough. So we will continue to document and push more heavily on the trade and environment linkages to inform our governments, similar to the way that the OECD work informs all our countries. We’ve already started working with the OECD and UNEP and WTO. The CEC can’t do all that we’ve talked about in the last two days but there are some things the CEC has a value added or an advantage in doing this and that’s what we can do with our partners.

The second was about using aggregate data, which are only partially useful, and most appropriate when supported by more targeted indicators, including region-specific, environmental-media-specific, and sector-specific analysis. Clearly, we focused on agriculture and energy here, but I think we got a good understanding about the cement sector in America. And there were contradictory results in the cattle sector: one presentation said there was little impact and another suggested there was a substantial effect. The picture is becoming clearer. In the maize case, the power of breaking down the analysis would make be made more clear. They’re still there growing maize, and looking at the factors other than trade in terms of what happens after trade liberalization is important. We’re still not clear on what the environmental impact would be at the North American level, but there is a demonstrated effect on the tomato sector and the grape sector. Therefore broad national studies would not identify these changes.

The third point I’d like to address from the first symposium is the scale effect. As the trade flow increases, how do we address the increase on environmental impact due to pure scale effect? It’s clear from the papers that production from trade is increasing among three NAFTA countries with some impact at the local level. In cement, the jury is still out. There’s a potential for lowering greenhouse gas emissions but it depends on the fuel type and the type of policy that would be addressed, such as issues regarding other pollutants and alternative fuel sources for the cement industry. One presentation showed the shrinkage of acres and others areas of intensification — are we assisting in the intensification of some areas and decreasing in others? The jury is out. The impact of agriculture is larger — we need to look at what the environmental indicators are to document the impacts, not just one or two, but more broad spectrum.

That brings me to the next point: the lack of high-quality environmental data for analysis of trade-environment links and policy linkages. This is clear in all the papers: the lack of data was pointed out by each presenter. We hope the PRTR will help but more work needs to be done. I also heard the suggestion to host a clearinghouse for documented impacts that have so far been published on the environmental impact on trade in North America. I suggest we also need a clearinghouse for the data gaps in North America as we document these issues. So when the researchers ask or a student comes to you to do research, you have a laundry list of all the stuff you need to do.

The fifth point was that policy makers should not underestimate the importance in an open, transparent and inclusive manner. Our governments are showing courage — the Canadian government has been here for the two days and taken in the information that has been given to them. As we now have a pretty good bulk of analysis to present to our governments, then we can increase our interactions with them, not only in terms of convergence but also the trade counterpart and maybe also industry ministries for our governments. You are often afraid of what you don’t know, and as you know more about these issues they become less threatening.

Policy integration remains weak. I don't need to say much on that. Thank you.

Scott Vaughan

I was very briefly going to talk about three things: The trade policy lessons learned from the last two days. Trade facilitation, which we haven't talked much about — are there some lessons we get from the assessments so you can move back in to get markets to work? What do you do with, say, small-scale farmers? And third, the policy lessons going forward.

Let me just thanks to Chantal and to Zachary and Doug and the others at the CEC — they are a remarkable group of hardworking, dedicated people whose hearts are in the right place. When you look at institutions, the structures and governance structures are put in place, but it's the people who make a difference. The institution may or may not be responsive, but the people make the difference — this meeting is an example by being so transparent and inclusive and producing a substantive body of information.

There are still disputes about the basic facts of the relationship between trade and the environment. There may need to be deeper integration but there's also a demand for a strong empirical base. The empirical evidence with the CEC, the OECD, the WTO and NGO groups have produced a substantive body of literature. In the CEC has put together 35 different studies showing different dynamics of the trade and environmental linkages. In this morning's presentation, the burden of proof in the environmental community to prove the trade and environment links. The answer is yes, and the jury is out on the effects of trade on income growth. Trade theory will show that there is supposed to be trade-related increases per capita GDP, but in Mexico there is a divergence, where incomes are not moving closer together. There's been a real gap in wages and income. Is NAFTA the driver or not? The trade theory would say it is an important driver.

The links between trade and the environment are tenuous and indirect. There are more basic assumptions: core assumption that efficiency gains when you open up markets to liberalization. Oligopolies, monopolies, market imperfections — you end up getting a combination of two bad words: higher rates of degradation and distortions in markets. Is the burden of proof higher to show that the trade-environment link is higher? The political appetite is the worst than I've ever seen in the last 15 years, on environmental issues generally. There's a real division between the transatlantic rift between the U.S. and Europe, which are very different in terms of multilateralism, rural issues. To make the case in Washington of environmental linkages in their own right and with trade is much more difficult than it was a year ago.

How many more case studies should be done? We could go on for another ten years, but you can pull now some policy observations and make a clear and compelling case on the need for two things — embedding environmental standards within existing trade rules and negotiations, and whether this institutional structure is the model that should be replicated for hemispheric and bilateral constructions. One of the things about these quick policy lessons — the trade environment link is a decade old now. There's a general assumption that trade will lead to accelerated rates of environmental degradation. You're having a debate is actually focused on causality and it's a cause-effect — what are we going to show that links. Most of my friends who work on these issues do the opposite: they look at an environmental effect — a spike in mercury or greenhouse gases, a threatened wetlands — and go back to find the cause. Is it a factory, a change in land siting, a change in market failures? We have inherited a methodology that demands a level of robustness and for my colleagues who work day in, day out are still mystified by this debate. The methodology of this cause-effect becomes an albatross.

On trade policy, the lessons from our discussions to be channelled into the trade forums. We all know that NAFTA is profoundly different from the FTAA and WTO, because it's assumed not to be open to renegotiated. It's inherently static, so what's the point of ex post environmental assessments, except for domestic environmental policy? This is mostly true, but even though the

body of text is carved in stone, there are 33 different NAFTA committees and subcommittees and working groups. They work in an unclear, opaque process compared to the WTO but there's a NAFTA working group on transportation and on risk assessment on Codex Alimentarius, looking at a North America-like harmonized pesticide label. There are five or six specific examples of the NAFTA architecture that exist now. One of the biggest disappointments for me when I was working at the CEC was that the institutional links between the NAFTA working groups and the CEC never came to fruit despite all our efforts. But this is something civil society and people working on this could do — take a look at what they're doing now and if there are areas of specific recommendations or policy that should be focused on a particular area or issue. It's entirely appropriate. There's another one on investment. If those issues are being address in an official intergovernmental context...

On trade facilitation, given some of the evidence we've seen, I was surprised, especially in the agriculture sector. The evidence of an increase or stabilization of rates on grainfed xxx [something about irrigation?] tells interesting stories about the fate of the campesinos on whether this is grounds for confidence or whether it's parallel or static or we can be confident in or whether it will be under assault because of market openings. I think it's the latter. There are thousands of people who will be marching in the streets because of the convergence of income moving the other way. There has to be a recognition in the work that proceeds that the level of change that the Mexican sector now faces is unprecedented. In Mexico, 30 percent of the workforce is in the agricultural sector. You'd have to go back to 1890 for the comparable level in Canada; the percentage there now is 2%.

What the Mexican economy is going through a Jeff Sachs—shock system of dramatic changes in household incomes. Is there something worth trying to save? One answer is not even a trade issue: are there real development programs? Can the trade apparatus promote trade facilitation in goods that can have a price premium in world markets in which Mexican markets can have a price advantage? Coffee, palm, honey — these are not trade policy discussions with negotiators at the table but working in markets to show there are ways to deliver price premiums to communities and indigenous peoples that are facing profound shocks. Regarding the example raised about organics, the highest rate of growth in agriculture markets is in organic foods. It may have plateaued but was between 20 and 30 percent. Despite the work of the CEC and others, including the World Bank, Mexican farmers ironically have an advantage because they can't afford capital inputs. One lesson from trade facilitation is that the lack of microfinancing is an impediment.

What are the lessons from the CEC? There is open debate whether to include environmental issues in the trade rules or to go to a parallel agreement, or both or either — and this needs to be debated. The CEC as a governing structure is fascinating: it is an experiment in transparency. If you look at the WTO and World Bank criticism from globalization, the single critique is that they are opaque and closed to public input. The experiment the CEC has launched is that from governance you can find good, new answers. The process is messy. You don't actually have people who say this is what you're going to do, but you don't get that in democracy either. It's a process of bringing different stakeholders to the table and working it out. That's the single most important lesson.

Charles Arden-Clarke

I speak from a position of ignorance about the FTAA. One of the lessons from NAFTA for the FTAA has been a continuing theme. Based on the way this meeting has been organized and the co-operation with UNEP, there is lots of potential for transfer here. There are officials from other countries in this room, and given their reactions during the reception, this meeting is proving extremely valuable.

NAFTA has been around for 10 years. What else is there with that kind of history of institutional integration? In my former NGO days, I got into trouble for calling NAFTA sub-optimum, and I thought it was at the time, but what I've seen here in terms of interaction emphasizes how

important a little bit of age is and the dedication of the people Scott mentioned and the drawing together and inclusion of people on this. I hope the people who have come from here their capitals will go back and take the lessons with them, because there is an enormous amount of information just for me in what I've heard for the past two days and I hope it will go beyond this room in the next few weeks.

I'm going to talk about capacity building and assessment. I'm going to try to relate it to the agricultural sector. Those are the sessions I had time for, and that's an important sector and one we should continue to work in because it occupies so much of the world's land surface and so many of the world's poor people depend on it. That opportunity, combined with the headstart NAFTA has had in terms of putting resources into the sector, to draw out the key linkages should not be squandered. In terms of looking forward, do not drop the work you're doing.

It also shows the complexity of the task, and shows the need for capacity building. It's a complexity that major developed countries are still to address. We feel we're struggling — we have 11 projects with 7 on assessments. Every project is a learning process for us. We have produced one reference manual we already want to change two years later. It's a continuing process of assessment, and essential to the integration of trade and environmental policies. It is capacity building in itself because when you're doing assessments, however crude, you're beginning to understand these complex links, and beginning to see the need to evaluate them and respond to them, so you're creating the incentive for policy makers to move forward. It also brings together the different ministries, the researchers, the stakeholders, and you can begin to start thinking about the policy responses even before the assessment is finished.

The 17 studies we've done have been in some way the jewel in UNEP's crown in trade environment and development. They're driving our perspective, even if we can't do it properly and we're not satisfied with the methodology. The partners we find in developing countries are often policy research institutes, and sometimes the government don't even know about them. But by working with them and giving them the financial space and resources to work on these issues, they accomplish a lot. We've had policy research institutes being unknown by their government to four years later advising their government in the negotiations at Doha. I don't hear this kind of support emphasized enough but it's central.

You need substantial multidisciplinary teams to do assessments. In agriculture, in most cases when they talked about the environmental effects on agriculture, it was only one or two aspects — chemical use, biogenetics, water — if you look at agriculture, it's soil structure, infertility effects, biodiversity impacts, energy use, other land uses and the intricate impacts of specialization and scale effects. Each assessment team needs 10 or 12 people. We've made tremendous progress on some of the environmental effects examination at some point we'll have to find a way, institutionally and among experts, to get inside one sector we consider important and work it out across the board.

You need to choose your analytical framework. We developed a reference manual on integrated trade and environmental assessments in June 2001. We have a review team consultant working on a similar manual for the agricultural sector. It will be generic but aimed at agricultural sector and informed by our seven projects to look at trade liberalization in the rice sector. There may be future potential for collaboration and cross-fertilization. You have to choose your tools. One point was made this morning: Many assessments assume the actors will act in an economically rational manner will make choices that are considered rational in a purely economic sense — and it's not the case. I didn't hear anyone mention rapid rural appraisal — we have to use tools like that, which aren't purely economic, to assess trade policy.

Once you've chosen the tools, you can define your partners. Before all that, you should consider the objective: is it environmentally sustainable agriculture or is it sustainable agriculture and development, like the Rio rubic, which raises a slew of issues — sustainable, food security, and so on. It may not be in your mandate but if you're serious about sustainable development and

take WSSD seriously, which made trade an essential means of sustainable development — and we believe this — we have to do it.

We have a working group on agriculture and all the working group papers on each sector end with questions to frame the work of the group and define their discussions. The questions include what are the current state of capacity building areas? What are the immediate needs for capacity building? What do you need to launch it right up front? What capacity building needs do you have with regard to upcoming trade negotiations? Bilateral or multilateral? What are the long-term needs for capacity building in this sector? To design trade policies and packages that deliver in this agriculture case, what are the kinds of delivery mechanism and partners you have to engage?

You have those ten years to draw on to answer these questions.

I'll finish with a plea that you continue to share what this community has developed in the last ten years, not just among the regional bodies There's a real hunger for this. From initial suspicion, it moves fast to awareness of value in government, and out of assessment new policies can be designed. In the second round of country projects we built a policy element into the assessment. Out of our last round of six we've got two implementation projects with the ministry leading, taking an outline of a policy response and putting into a full response they will then implement. You can keep moving forward. There's a tremendous amount that CEC can do to draw more people in than just Mexico, Canada and the U.S., and also because of that composition, you can strike at that north-south disparity — NAFTA is a microcosm of that — which might be more reasonable. Your microcosm can really give you a leadership role on this and other issues and teach people like me when they come struggling with this issue for 140 countries.

Thank you again to Chantal Line and Victor for their collaboration and support. I look forward to the presence of as many of you as possible at our meeting tomorrow, and I've enjoyed this thoroughly and learned a lot from it.

Question Period

Q: [From a U.S. member of JPAC.] It has been ten years, and there are pluses and minuses. It's time now to make an environment impact statement to say what has been done or not done, how can we correct it and what are the economic and social impacts, and so on.

Q: [Kevin Gallagher.] I think the CEC should be applauded for the long years of effort for the assessments and four years spent developing the methodology and developing these papers, but the U.S. government has largely ignored that long effort. Under the U.S. trade promotion act, environmental reviews are now law under the U.S. government. A year and a half ago, the U.S. government put out its review for the FTAA process and it doesn't mention the CEC once. The models look at trade aspects and not an array of intellectual properties, subsidies; they are highly assumptive and assume away technical change. They are also costly to use and are thus an impediment to Latin American countries. I suggest you produce a summary and synthesis report of your methodology and papers and make a working group to discuss the FTAA. I don't think there's a clean link between NAFTA and FTAA, but what we've seen with regard to subsidies and procurement, there's a lot of overlap.

Q: [Question in Spanish, without translation; what follows is a paraphrase] In the discussions of sustainable development, there is no mention anywhere of the impact of the migration of rural people and indigenous people to the cities. In Mexico, this is a major issue because of the lack of opportunities in the countryside, although these migrants are very attached to their native regions. This creates problems of urbanization, exacerbated by their inability to reproduce their culture in the big cities, where they often contribute to the cycle of misery.

Scott Vaughan:

On Kevin's point on methodologies, he was one of the people to send comments to the USTR on methodology. The CEC has done interesting work to broaden the discussion beyond narrow economic models. People look for whether the CEC is good or bad, and whether it been good or bad for the environment. It depends on the indicator — some water tables have gone down but air quality has gone up. There is always a qualification. In all three capitals, the pressure on getting quick policy packages out and forward, so it's difficult to get the yes/no. The CEC's analytical framework touches on what the USTR is missing. The International Trade Commission is running some of the best models, and the OECD and World Bank are doing some interesting work to draw out..

On migration, I hear that 400 to 600 people leave rural areas to come to Mexico City every day. At the Carnegie Endowment for International Peace, we're working with the migration institute in Washington and with UNAM to look at the effects of migration, productivity, wages and so on over the last ten years. Migration has a lot of those implications for rural management — what happens if there's no one left to manage anything. It is a huge area, and I agree with you.

Chantal Line Carpentier:

The parties asked us to do an analysis of NAFTA and of NAECC at 10. This of course is not just coordinated through my program because I can't do a self-assessment. But what we learned will be fed into the process of getting to the assessment Kevin talked about. On that subject and also on the migration issue, I'm hoping you've filled out the questionnaire to tell us what our priorities should be for trade and environment for the next ten years for the NAFTA and the Americas. Kevin, it was something I was going to remark on: we're giving one month to the presenters of these papers to include all your comments so we can get the proceedings out quickly and include a revised version of the document for the lead person about what we know about the trade-environment policy linkages. To what can we extent to feed this into FTAA, I don't know — it will depend on suggestions and priorities.

Charles Auden-Clarke:

On the subject of a forum on migration, if you pick the effect, then question the cause. If so many move to the city, even if we were able to do the assessment, it would show an array of factors not just NAFTA. If you want to address this issue and the policy responses you need to address the right institution. NAFTA is part of that picture but it is not all of it. My first thought, from a sustainable development aspect, is that there are two aspects. Scott mentioned what happens to the land left behind and the management of it and the people left behind — what's the effect in terms of livelihoods of others? The other aspect is complex: What's the environmental impact of immigration in the cities and overloading on the cities and the waste they bring? That's one the CEC might not want to do given what else they've launched.

Chantal Line Carpentier:

We are assessing this through the goods and services — the price of coffee collapsed and farmers are migrating and leaving behind their land, what is the biodiversity impact? We're focusing on the environmental impact, though, not on migration, because it's much broader.

Charles Auden-Clarke:

Inward migration is an enormous issue in many developing countries, and is underestimated in terms of costs. Industrialization and urbanization are expected but not rational or effective. We see this discussion in Europe now with agriculture subsidies. Governments there deliberately keep people on the land for environmental and social reasons and sustainable development reasons. Multifunctionality is about sustainable agriculture. Even some developed countries are in the same situation, with an urgent issue to keep people on the land. It's a big job and when you address a forum on migration you need to address who the institutional payers are to carry forward your findings.

Q: Question about something holistic.

Q: One important lesson from NAFTA that can be extended that has been implicit. If nothing else we can take away that trade negotiations and arguments trigger an array of constituencies — human health, social welfare, etc. On Doha, FTAA, the Central American FTA, I hope the participants in the capacity building workshop will remember the importance of direct public input, for all ministries to make their voices heard to their trade negotiators. We've seen trade negotiators speak on behalf of their governments without input from those ministries. Environment, human health, social welfare ministries must make their voices heard before negotiating positions should be adopted.

Vic Shantora:

On indigenous people and their participation, governments have encouraged us at the secretariat and JPAC has reminded us that when we're talking to stakeholders and at meetings like this we aren't paying as much attention as much as we should in terms of drawing out the indigenous people to these sessions and making sure their concerns are heard. We're in the process, we've commissioned a small study, we'll be doing some discussions with some key groups, to see how we can do that better. In the coming months whatever ideas we come up with will be on our website.

Chantal Line Carpentier:

It's too early for me — this is brand new, this was my first experiment to find out what indigenous groups might want us to work on. You too could suggest some ideas, and JPAC can make recommendations too. I know it's frustrating, but I'd rather in hindsight be able to assess all the information we've gathered before I say what we'll do. You may have noticed at yesterday's reception there were handicrafts being sold — this leads into our North America fund and goes to local groups that work on trying to improve their livelihood and biodiversity while making a living. A lot of these groups from Mexico are indigenous. So we're doing some CEC work. Also, transgenic maize — you know I'm leading an article 13 on the impact of transgenic maize in Mexico. We almost have the final terms of reference. The draft are available on line. There's a few chapters on indigenous groups and what maize means to them and their cultural practices. So that's another way.

John Kirton:

Those of us who worked for four years at the beginning, including Professor Ford Runge of the University of Minnesota and Alejandro Nadal of Mexico, and others, on the framework one could not look at the environmental effects without looking at the connecting processes of socialization. Within that framework you could see the processes appropriate for indigenous peoples.

Q: [Jose from U.S. EPA] I'd like to make a kind of public service announcement on the subject of indigenous peoples. The Organization of American States is currently drafting a declaration on the rights of indigenous peoples. The indigenous peoples have a significant role in the formulation of this document. A month ago in Washington the indigenous were sitting at the table patching out the language — recognition of the indigenous peoples and their various rights. The OAS supports this document and wants to move forward with a final version by 2004 or 2005. This will have some implications on the FTAA. The U.S. EPA wants to see how this can be integrated with trade and the environment and the protection of the rights of indigenous people. The nations understand that indigenous peoples have a tie to the land, and that tie may be one whereby trade is an option that the indigenous peoples can choose not to exercise in the management of their lands. They have the right not to ask for trade and development mechanism and we ought to respect that as we move forward.

Chantal Line Carpentier:

There's Claudia Saladin from the WWF, and we have talked a lot about how to collaborate with the OAS.

John Kirton:

I see no one at the microphones and so I ask myself whether we've reached that magic moment when everyone's curiosity has been sated and all questions have been answered. If that's the case, I'm sure it will only last two or three minutes. But don't despair — please fill out those questionnaires and leave them at the registration table. There is a very sophisticated scientific process for putting all this information to use. But first, I ask Chantal to say a few closing words.

Chantal Line Carpentier:

Our next steps, as we move ahead quickly with the proceedings, are to continue the traditional environmental assessment of the impact of NAFTA, and to conduct an environmental-first approach and choose three sectors to do an environmental impact assessment in a particular region and sector. Then we can start working on mitigating policies, starting from the ground up instead of from the top. We will continue to work on the flip side, too — the issues of increasing trade and environmentally preferable goods and services to make sure we have greener trade.

Thank you.