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"Trade and the Environment: Beyond NAFTA (North American Free Trade Agreement)", National Academy of Sciences

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As I look around the room, I recognize a lot of faces. I’ve worked with many of you over the years. But the issues were separate: either trade or the environment. By looking at both issues, together, this symposium hits the nail right on the head.

We are on the brink of an extraordinary new era in environmental policy. We face new challenges. And our success will be measured, in large part, by our ability to link trade policy and environmental policy.

The first step is negotiating a solid NAFTA supplemental agreement. But we also must begin to think "beyond NAFTA." We must begin to think about integrating trade and environmental policy on a long-term, multilateral basis.

An Historical Perspective

Let me step back for a moment, to try to put things in perspective. Up until now, there have been two eras of modern environmental policy.

The first era was the "Golden Age" of environmental protection. It began, roughly speaking, 23 years ago, on Earth Day 1970, when millions of Americans participated in a nationwide environmental "teach-in." That first Earth Day showed that people were tired of burning rivers, smog-blackened skies, and toxic waste dumps. They wanted change. Over the next decade Congress responded, passing the Clean Water Act, the Clean Air Act, the Endangered Species Act, and Superfund.
Then came the second era. Call it the Dark Ages. President Reagan tried to turn back the clock, and Congress fought him every step of the way. Consensus disappeared. The business and environmental communities squared off. Both sides were convinced that they were playing a zero sum game, pitting the economy against the environment. Both sides became mistrustful. Both sides became shrill. It was gridlock, plain and simple.

A New Era

Now we’re on the verge of a new era; an environmental renaissance. The most telling evidence is the refreshing search for common ground, between the business community and the environmental community. This conference is one example. There are many more: Bruce Smart’s book, Beyond Compliance; the recent New York Times series on the economics of environmental policy; the work of business and environmental leaders like Frank Popoff and Jonathan Lasch, who are exploring "win-win" solutions that protect the environment and create jobs.

The same message keeps coming through: we don’t have to remain locked in a zero sum game. Economic progress and environmental progress don’t have to remain at odds. In fact, it is becoming increasingly clear that we can’t have one without the other. The National Commission on the Environment, chaired by Russell Train, recently put it this way:

Economic and environmental well-being are mutually reinforcing goals that must be pursued simultaneously if either is to be achieved. Economic growth cannot be sustained if it continues to undermine the healthy functioning of the Earth’s natural systems or to exhaust natural resources. By the same token, only healthy economies can generate the resources necessary for investments in environmental protection.

To put it another way, we must pursue a long-term strategy of sustainable development. This doesn’t mean living in tents in the forest. It means achieving economic progress in a way that protects the environment and, by doing so, broadly improves the prospects for future generations.

The Critical Role of Trade Policy

This turns, in large part, on our ability to integrate trade policy and environmental policy. Let me explain why.

First, environmental issues are fundamentally global. This, of course, always has been the case. But only now are the full
implications becoming clear. In particular, as scientific measurements become more sophisticated, we are discovering grave new threats that previously were beyond the range of our perception: climate change; the loss of biodiversity; the gradual effects of small concentrations of toxic pollutants accumulating in the food chain. In each case, the problems are international, and the solutions must be international.

Second, environmental policies have sharp international economic consequences. Environmental protection may impose short-term economic costs. As a result, companies that protect the environment can be undercut, in the international marketplace, by those that "cheat" the environment. Unless we establish international rules, everyone can be driven to the lowest common denominator.

Third, although trade rules are not perfect tools for addressing international environmental problems, they're the best tools we have. They can be used to establish environmental standards and to impose penalties when appropriate.

The First Step: NAFTA

As we begin to address these issues, the North American Free Trade Agreement, or NAFTA, can be an important model for a "green" trade agreement.

Even NAFTA's preamble breaks new ground: it states that sustainable development is a goal of the Agreement. Though the preamble is mostly symbolic, it will guide the deliberations of all NAFTA's panels and negotiators.

In addition, NAFTA's text contains real improvements in several places:

- The chapters on Standards and Sanitary and Phytosanitary Measures protect the right of nations or communities to set stringent environmental, safety, and health standards.

- The chapter on Investments prohibits lowering standards in order to attract investment.

- NAFTA protects the trade provisions of international treaties on endangered species, ozone depletion, and hazardous waste.

- Finally, when trade disputes deal with environmental issues, panels may call on environmental expertise. And the complaining party must prove that the disputed standard violates NAFTA.
A good start. But for a NAFTA side agreement to be complete, and win support in Congress, it must go much further.

--The side agreement must address the structure and functions of a North American Commission on the Environment, or NACE.

--It must ensure that environmental laws are enforced continent-wide.

--And it must provide a secure method of financing environmental programs and border clean-up.

Business groups have raised concerns about these provisions. They have warned against an international "Green Police," armed with powers to subpoena and fine businesses without due process.

To help address these issues, I have been working with several major environmental groups to develop a detailed proposal for the NAFTA environmental side agreement. It will be released later this week.

The proposal is substantive but reasonable -- it offers a good road map for the American negotiators. It is compatible with proposals I and others have made, and it responds to many of the concerns of the business community. At the same time, it has real teeth. It calls for a NACE with powers to receive and investigate complaints. It includes an environmental dispute resolution process that can lead to trade sanctions.

The proposal represents many compromises. We hope it will be adopted in the negotiations. If so, I, and many environmental groups, will strongly support NAFTA.

Beyond NAFTA: GATT Revisions

NAFTA has shown some of the ways to integrate environment into a trade agreement. As we look beyond NAFTA, we must look for ways to apply its lessons to the GATT.

As in NAFTA, the issues most easily incorporated into GATT relate to traditional trade concerns, such as standards and dispute resolution. GATT could be improved immediately by incorporating the NAFTA environmental language on Standards, on Sanitary and Phytosanitary Measures, and on Dispute Resolution.

However, going beyond this to fully protect the global commons -- that is, the air, water, and biodiversity on which life depends -- is more complex.
The issues confronting 108 GATT countries are different than those confronting the three nations of NAFTA. The appropriate trade measures will require extensive negotiation.

To get this process underway, I believe that, before the close of the Uruguay Round, the date of a Green Round should be set. This Green Round would be concerned with:

- global commons and transboundary issues, such as greenhouse gas emissions, water pollution, and biodiversity;
- encouraging and accommodating multilateral environmental agreements; and
- reviewing the enforcement of environmental regulations.

**PATHS TO SUSTAINABLE DEVELOPMENT**

I want to focus briefly on an area that is often neglected in discussions of trade and environment. Technical and scientific expertise, the backbone of any environmental progress, is often lost in the din of debate over rules and regulations and transparency. But sustainable development requires that each country identify and operate the technology it needs.

Think about it this way. By the year 2050, global population and per capita output are expected to more than double. As a result, the level of worldwide economic activity will be five times greater than it is today.

This level is sustainable only if we make major improvements in the way that we produce goods and services. In his new book Beyond Compliance, Bruce Smart estimates that we eventually must reduce the environmental impact of each unit of industrial production by 80 per cent. 80 per cent. And that's worldwide, which means that we have to start right now to change our patterns of development, both here and overseas.

This goal requires new levels of cooperation in international relations. We will need technological revolutions in the developed world, but we will also need revolutions in technology transfer. And developing nations, the most likely source for rapid increases in pollution, must be given incentives to develop on a sustainable path.

These concerns have played a part in the NAFTA debate, but primarily for a local reason. The pollution problems at the Mexican border have meant that cooperative technical programs, and questions of how environmental improvements would be paid for, have been addressed.
They also must be addressed globally. A Green Round must include parallel agreements to encourage the development and dissemination of new, cutting edge environmental technology.

CONCLUSION

We live in dangerous times. In this post-Cold War era, humanity's greatest global threat comes from our gradual destruction of the earth systems on which all life depends. We must use every tool at our disposal to avert this threat.

I believe that trade policy could be our most effective weapon. It will take many more symposia like this one, many more negotiations and experiments and ideas, to find the approach that works. It will be difficult. But I look forward to trying, along with all of you, to find a way that works. For businesses and for workers. For developed and developing nations. But most of all, for the environment.

Because if we don't make changes soon, we may not get another chance.