

Positioning the CEC's Work on the Assessment of Trade and Environment Linkages for the Next Decade: Outcomes of the Experts' Roundtable

Background Paper for the Senior Trade and Environment
Officials Meeting
Ottawa, Canada

Prepared by:
Karel Mayrand, Marc Paquin and Sarah Gagnon-Turcotte
Unisfera International Center

Secretariat of the Commission for Environmental Cooperation

November 2008



This background paper was prepared by the Unisféra International Centre for the Secretariat of the Commission for Environmental Cooperation. The information contained herein is the responsibility of the authors and does not necessarily reflect the views of the CEC, or the governments of Canada, Mexico or the United States of America.

Reproduction of this document in whole or in part and in any form for educational or nonprofit purposes may be made without special permission from the CEC Secretariat, provided acknowledgment of the source is made. The CEC would appreciate receiving a copy of any publication or material that uses this document as a source.

Commission for Environmental Cooperation

393, rue St-Jacques Ouest, Bureau 200
Montréal (Québec) Canada H2Y 1N9
info@cec.org - www.cec.org

© Commission for Environmental Cooperation, 2008

Un resumen ejecutivo está disponible en español
Un résumé est disponible en français

Publication Details

Publication type: *Background paper*

Publication date: *November 2008*

Original language: *English*

Review and quality assurance procedures:

Party review: 17 September–15 October 2008

08.24b

TABLE OF CONTENTS

Introduction	1
I. The Evolution of the Trade and Environment Context since 1994.....	2
II. Future Drivers of Change in the Field of Trade and Environment	3
III. Key Issues to be Considered by the CEC in Realizing NAAEC Objectives	5
IV. Engaging Key Stakeholders and Informing Policy in the Coming Decade	9
V. Defining the CEC's Niche: An Objectives and Criteria-Based Approach	13
Conclusion	15
Bibliography.....	17
Appendix I: List of Experts Interviewed.....	18
Appendix II: Questionnaire for the Experts	20

INTRODUCTION

The Commission for Environmental Cooperation (CEC) has developed a world-class reputation for its rigorous, cutting edge work in such areas as agriculture, energy, economic instruments and others. After more than a decade in existence, the CEC wishes to take stock of these past achievements and project its expertise and resources into the future to remain the North American, and a global, reference on trade and environment research and policy advice.

In conjunction with the *Fourth North American Symposium on Assessing the Environmental Effects of Trade: Services and the Environment*, the CEC convened an expert roundtable to explore its future areas of work in light of emerging trade and environment issues. The roundtable, which took place on April 24, 2008, gathered a group of experts to discuss these issues and to produce concrete recommendations to orient the CEC's future work on the environmental effects of trade and inform the elaboration of its 2010–2015 strategic plan.

This report summarizes the discussions that took place both during the roundtable and is informed by interviews that were conducted with 24 leading North American and international experts.¹ It aims to identify the major drivers of change in the trade and environment relationship for the next decade and emerging issues to be considered by the CEC as well as to assess the CEC's relevance and impact on policy making. It also seeks to present potential areas of future work for the CEC in the area of trade and environment and to explore what goals, objectives and audiences the CEC needs to target to fulfill its mission.

The report is divided into five sections that follow closely the structure of the questionnaire used for the interviews.² Section I looks at the evolution of the trade and environment context in North America since the entry into force of the North American Agreement on Environmental Cooperation (NAAEC) in 1994 and analyzes the impacts these changes have had on the role of the CEC. Section II analyzes current drivers of change in the trade and environment nexus in order to forecast their evolution in the upcoming decade. Section III provides an inventory of issues—those emerging as well as those of particular relevance today and likely to be so in upcoming years—as identified by the experts interviewed. Section IV looks at how the CEC can improve its performance in engaging key stakeholders and informing policy. Section V proposes approaches to address the issues identified in the previous sections and methods to measure CEC's performance. The conclusion identifies areas that received further discussion at the roundtable.

¹ The list of experts interviewed is available in Appendix I.

² The lines of inquiry are available in Appendix II.

I. THE EVOLUTION OF THE TRADE AND ENVIRONMENT CONTEXT SINCE 1994

The trade and environment context in which NAAEC is being implemented and in which the CEC is operating has evolved since 1994. North America has become increasingly integrated economically and the general understanding of the trade and environment relationship has improved considerably, thanks in great part to the work of the CEC. Moreover, the understanding of the relationship between increased trade and the environment has evolved as new environmental concerns have emerged and as the private sector has taken a greater leadership role on environmental issues. This section synthesizes the experts' opinions on this changing context.

The first and most evident element of change in the context in which the CEC operates is that NAFTA, whose implementation had only begun during the CEC's early years, is now almost fully implemented by all three Parties. Canada, Mexico and the United States have moved, over the last 14 years, from the implementation of a new regional free trade agreement to a stage of **deeper economic integration**. The role of the CEC has to evolve according to this new context.

It is becoming increasingly difficult to isolate the specific portion of trade created directly by NAFTA: thus a broader approach that looks at both economic integration and environmental issues is needed. NAAEC provides a flexible framework that allows for such a broader perspective.

In this context of greater economic integration, environmental cooperation is becoming increasingly relevant. Experts agree that while a continental economic vision is slowly emerging, especially among the business community, such a vision is lacking on the environment. They point to the absence of a continental approach to environmental management, with the exception of a few projects in the area of biodiversity conservation. The NAAEC objective of fostering collaboration among the three NAFTA countries on trade and environment issues has therefore not yet been entirely realized. Of particular relevance in this regard is the fact that links between the CEC and the NAFTA Free Trade Commission (FTC) are minimal and that trade and environment issues are mostly addressed separately at the policy level. Overall, environmental cooperation lags behind economic integration in North America.

Over the past fifteen years, the CEC has contributed to improving the **understanding of the trade and environment relationship** in North America through its own research and research presented at the four symposia it has presented on various trade/environment topics. The CEC pioneered methodologies to assess environmental effects of trade and proved the existence of inherent and robust relations between trade and environment. Pre-NAFTA fears that the Agreement would lead to a North American "race to the bottom" and to the creation of pollution havens across the continent were in great part invalidated thanks to research conducted under the CEC environment, economy and trade program. The CEC has published research documenting the

impacts of NAFTA on the environment, which has reduced the fears that trade would lead to negative environmental outcomes. Lastly, CEC research also showed that numerous environmental effects are policy-determined and dependent upon the regulatory framework and the institutional context prevailing in the three countries. This improved understanding helped create a more sophisticated trade and environment discussion and shift the research agenda to second-generation issues in the trade and environment relationship.

The understanding of the trade and environment relationship evolved as well in the context of **emerging environmental issues**. While trade and the environment were formerly seen as pulling in opposite directions, win-win opportunities offered by trade within North America are now more easily recognized and businesses are also more engaged in the protection of the environment. Recent years have seen the emergence of strong corporate social responsibility initiatives as well as private-based standards and certification such as the Forest Stewardship Council (FSC) standard or the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, developed by the US Green Building Council.

Parallel to this evolution, civil society's perception of trade and environment issues changed as new trade-related issues and environmental concerns were emerging. From pollution havens in the mid-1990s to investment rules later in that decade, to transgenic maize in the early 2000, and now climate change, public attention has shifted several times. Trade liberalization and globalization—and NAFTA, in particular—which used to be the top concern of civil society in the mid-1990s, gradually moved down the list of key environmental concerns during this period. However, other issues, including climate change, air pollution, consumption patterns, and water and biodiversity conservation are now at the forefront of public attention. Paradoxically, trade-related environmental issues lost momentum in public opinion at the same time that environmental awareness was rising.

CEC priorities may need to be reassessed to reflect this new context of deepening economic integration, a broadening research agenda and new environmental concerns. The CEC also needs to look forward and identify current and future drivers of change in order to anticipate future trade, economic and environmental issues, to stay ahead of the curve, and to remain relevant for its stakeholders.

II. FUTURE DRIVERS OF CHANGE IN THE FIELD OF TRADE AND ENVIRONMENT

While it is difficult to foresee the trends and events that will shape the upcoming decade and their impact on the trade and environment relationship, at least to predict their precise direction and magnitude, some existing and emerging drivers of change will profoundly impact the trade and environment relationship during that period. The experts consulted in preparing this paper identified five main drivers for the next decade: 1) climate change and energy; 2)

environmental standards and green protectionism; 3) shifting consumption and production patterns; 4) accelerating globalization and the rise of India and China; and 5) public opinion.

A strong proportion of consulted experts identified **climate change and energy** as the most important drivers of change in the upcoming decade. Through its impact on energy, transportation and agriculture (biofuels), climate policy will have far reaching effects on our economies. Carbon pricing, either through carbon taxes or cap and trade systems, will affect competitiveness and trade flows. The impacts of these changes are still poorly understood as businesses, jurisdictions and citizens are rapidly entering a carbon-constrained world, some with resistance, others proactively.

Climate policy and carbon pricing are no longer merely scenarios: they are a reality and they will likely stir up the trade and environment debate and potentially generate trade conflicts. The upcoming years will see a delicate balancing act between competitiveness issues and international climate policy as negotiations for a post-Kyoto climate regime enter their final stage. Increased energy integration in North America and both intra- and extra-NAFTA competitiveness issues make it necessary for the three countries to take on this challenge in a cooperative manner.

Indeed, as climate policies multiply in North America and around the world, so do transaction costs and risks for North American businesses. This is why the business sector is increasingly calling for a coherent, predictable climate policy framework that will allow it to maintain its competitiveness while it adapts to a carbon-constrained global market. States and provinces have already started developing joint climate policies in recognition of this fact. In doing so, they are beginning to change the business and trade environment in North America.

In addition to influencing competitiveness, climate policy may also increase the risk of trade disputes, notably with Europe, if climate policy measures, like the proposals to introduce carbon taxes on imported goods or to establish preferences according to the carbon content of products or energy sources, are too associated with green protectionism. Such disputes may not only occur between North America and Europe, but also among NAFTA partners themselves, for example with the introduction of new requirements on the carbon content of certain sources of oil, such as oil sands.

A second driver of change identified by the experts is the introduction of an increasing number of **environmental standards**, both public and private, that is supported by a growing demand for sustainably produced goods and products. This development carries the risk of renewed green protectionism. Environmental standards are increasingly prominent in agriculture, forestry and other natural resource-based sectors, and they are likely to emerge and proliferate in the energy and climate sectors. The intersection of environmental standards with trade raises competitiveness, market access, transaction costs and risk management issues may also revive aspects of the old controversy about green protectionism and production and processing methods.

A third, closely related driver of change is shifting **consumption and production patterns** in North America and the world. Customers and businesses are increasingly becoming the main drivers of change through their purchasing and procurement preferences. The combination of corporate social responsibility and customer demand has created a virtuous circle of continuous improvement in consumption and production patterns. Interestingly, this *race to the top* has essentially emerged without major government intervention, but is nonetheless changing the production/consumption environment—and trade patterns—in many sectors.

A fourth driver is the **acceleration of globalization and the rise of China and India**. This international economic environment is creating new challenges in the field of trade and the environment. Increased international demand is influencing natural resources prices and causing increased ecosystem stress in certain areas. Variation in environmental standards—in emerging economies, especially China and India, where they are particularly low, and in the European Union where they are high—is having important repercussions on the competitiveness of the North American economies. In addition, the issue of green protectionism is still debated in international trade negotiations. These international trends have the potential to bring new trade-related environmental issues to the forefront of citizens’ concerns.

Thus related is the fifth driver of change, **public opinion**, which may always fluctuate according to new events or trends. With environmental issues consistently ranking high in public opinion polls in the last few years and the potential for new environment-related trade disputes, there is a risk of seeing public opinion shift against trade. Moreover, increasing public demand for environment and climate-related policies and regulations may accelerate regulatory changes and change trade patterns accordingly.

Lastly, some experts mentioned water scarcity, environmental health, technological change, demographics and global governance as other important drivers of change. While it is impossible to deal with these issues to their full extent here, it is worth noting that they may influence the trade and environment relationship in the upcoming decade.

III. KEY ISSUES TO BE CONSIDERED BY THE CEC IN REALIZING NAAEC OBJECTIVES

When asked to identify the issues they expect to be at the core of the trade and environment relationship over the next decade, the experts consulted in the preparation of this report identified issues that were at the forefront of the CEC work in the past years as well as new, emerging ones. Some issues are on the rise, such as climate change, whereas others, such as investment rules or pollution havens are fading away. This section provides a picture of the most relevant issues identified by experts. The table provides an overview of the top ten issues ranked by experts.

Table. Top ten issues

1	Energy	9.4
2	Climate change and carbon trading	9.3
3	Price of natural resources	7.7
4	Agriculture and Food	7
5	Water	- - -
6	Habitats and biodiversity	7
7	Competitiveness	6.9
8	Clean technologies	6.8
9	Consumption patterns	6.7
10	Transportation	6.5

Climate change and energy were mentioned by 20 out of 24 experts either as a major driver of change in the global economy and the environment or as one of the most important issues to be addressed by the CEC over the next decade. Moreover, half of the experts specifically mentioned that climate change and energy issues should be among the top three priorities of the CEC. These were felt to be crosscutting issues that will influence economic growth and trade patterns in the upcoming decade and as such, constitute unavoidable drivers of change as well as key parameters in the trade and environment relationship.

Understanding the linkages between **climate change** and trade policies and between climate policy, energy policy, growth patterns and trade competitiveness constitutes a major research agenda that will need to be taken on by credible institutions. However, given that numerous NGOs, think tanks and research centers are focusing their resources on climate change issues and energy, the CEC should focus its expertise where it is most relevant, including the trade/climate change nexus, and by producing policy-oriented research that would be adapted to North America's interest and specificities as the region moves towards a carbon-constrained global economy. The CEC could also use its convening power to engage sectoral and regional leaders and organizations in defining North American solutions to challenges related to climate change.

Moreover, throughout North America, states, provinces and cities are already introducing measures to reduce carbon emissions in order to fight climate change. The tools and approaches used to achieve these reductions are numerous and vary from one jurisdiction to the other. This situation could potentially be the source of trade conflict or market distortions. In this context, numerous experts deemed it essential to measure the impact of carbon reductions on competitiveness, to help share and promote best policies and practices among North American stakeholders, and to develop policy recommendations that will reduce the potential for conflicts and distortions linked with green procurement policies or tax adjustments on carbon content in traded goods, for example. Moreover, the CEC could contribute to the integrated implementation of a cap and trade emissions regime that would correspond to the specific needs of North American countries and allow for the implementation of compatible carbon pricing policies for the whole region.

Climate change **adaptation** is another issue on which the CEC could contribute. There is an increasing need to assess the potential impacts of climate change on the North American economy and, most specifically, on natural resources, water, agriculture, infrastructure, transportation, and some strategically important sectors that are most vulnerable to climate change. Moreover, the CEC could inventory and disseminate best practices on adaptation in key sectors or emergency preparedness, for example.

Energy will equally be at the intersection of trade and environment in the coming years, as the combination of high energy costs and climate change policy drives major shifts in North America's energy architecture. In the current context of increasing energy integration, the question of subsidies could also take on more importance, while the priority in terms of energy uses and pricing still need to be addressed. Finally, a focus on policy is considered essential in this field in order to inform ongoing continental energy integration, and to avoid piecemeal or incoherent policy developments.

As most solutions to climate change will be associated with the development and the promotion of **clean technologies**, especially in the field of energy, the strong focus experts gave to climate change also drives clean energy to the top ten issues to be addressed by the CEC. As energy prices increase and carbon policies are deployed, clean technologies will shift from being a short-term cost to a competitive advantage that improves productivity and reduces liabilities and risks. Indeed, the capacity to adapt to climate change, to reduce the consumption of expensive fossil fuels and to shift to cleaner technologies will drive North American productivity and competitiveness. In addition to enhancing the region's energy security, it will also allow North America to face increased pressure from higher environmental standards worldwide. Producing the right set of policy and fiscal and economic incentives to drive the adoption of new technologies may become a key condition for sustaining North America's competitiveness. Moreover, the promotion and diffusion of clean technologies could create new market opportunities at the same time as it improves environmental outcomes.

Research in this field should first focus on what are the best technologies and then on what are the best policies and incentives to promote their use. Biofuels and other alternatives to fossil fuel, for instance, will bring up numerous questions that will need to be more deeply researched in order to avoid creating new, adverse environmental impacts. The questions of land-use, crop prices and food security, and water and energy sources needed for production of different types of biofuels should all be addressed in the context of a rapidly growing biofuels market in North America.

Competitiveness and **environmental barriers to trade** will once again be a hot topic in the coming years. Many experts are thus suggesting that the CEC pay more attention to international trends that could affect North American trade and environment issues. This includes, for example, monitoring new environmental standards in Europe. In order to do this, the CEC should also collaborate more closely with other international organizations and NGOs working

in the field of trade and environment, such as the WTO, OECD, UNCTAD, ICTSD, etc. This would allow greater access to information and data.

Consumption patterns are another issue that was identified by experts as having deep effects on both trade and the environment. The CEC has already been working at promoting new green consumption practices through the North American Green Purchasing Initiative (NAGPI) and the Greening Trade in North America project, which promotes shade coffee and sustainable palm. These projects have improved awareness and the development of a North American vision, helping consumers become more aware of the power of their purchasing to effect social good. Some experts mentioned that the CEC's work on green purchasing could be complemented with work on externality pricing, on incentives to green consumption, and on assessing the environmental footprint of products over their lifecycle. Research on the best ways to internalize environmental costs, such as price measures, incentives or the negative implication of subsidies, could also be an interesting area of work for the CEC.

Habitats and biodiversity, in which the CEC has already developed some expertise, were also considered important by a number of experts, especially for some who argue that the link with trade and biodiversity has not been sufficiently explored. Numerous experts estimate that clear and robust links exist between trade and ecosystem stress or the depletion of natural resources and this should be better monitored and documented. The development of a trade sensitivity index for specific and sensitive natural resources was proposed by some.

Moreover, habitats and biodiversity are not only affected by trade, they will be by climate change as well. Monitoring these changes in order to better inform adaptation and mitigation strategies and the question of cross-border eco-region and protected areas were also considered interesting multilateral issues to be tackled by the CEC. Finally, the potential of valuing ecosystems services to internalize environmental costs, develop conservation finance mechanisms and create partnership with the private and finance sector were also mentioned during the roundtable. Major firms are already involved in ecosystem services thus the CEC would already have its targeted audience.

Water was also highlighted as stress from water scarcity is already having impacts in several regions of North America—something that may likely also be exacerbated as a result of climate change. Other experts mentioned trade in water and water services, as well as trade in water-intensive goods—or virtual water—as issues that will remain on the North American trade and environment agenda in the upcoming decade. Opportunities for efficiency improvement in the technologies linked with the water cycle for human uses, including extraction, treatment, distribution, collection, discharge or recycling technologies may attract important attention.

Several experts mentioned **agriculture and food** as a key issue for the CEC since agriculture remains an important economic sector in all three countries and an activity that is at the interface of trade, land use, water scarcity and poverty. Although few expanded on the topic, there seems to be a consensus based on past CEC experience that this issue will remain relevant in the upcoming decade.

Finally, numerous experts suggested that the CEC should dedicate more resources to producing a comprehensive **assessment of the state of the North American environment**. They felt that although the CEC has collected an important amount of data over the last decade, the information does not offer a precise image of the state of the environment in all three NAFTA countries to leaders and the public. It was suggested that by compiling information and analyzing evolving environmental trends, the CEC could more easily single out key issues and problems needing deeper research or immediate action from the Parties. It could also better inform leaders on how to green North American trade.

Many experts mentioned that the CEC could engage more with the private sector and support the drive to improved **Corporate Social Responsibility** policies. Others mentioned that shareholders could be increasingly engaged as they have an important potential in influencing environmental policies of businesses. Lastly, the importance of **transportation** in trade, climate and energy policy issues makes it a key issue for several experts.

IV. ENGAGING KEY STAKEHOLDERS AND INFORMING POLICY IN THE COMING DECADE

Deepening North American economic integration, new drivers of change in the trade and environment relationship, and a new set of key issues such as climate change and energy provide a new context for the CEC's work. According to some experts interviewed, in order to maintain its role as a leader and confirm its expertise in the trade, economy and environment field, the CEC needs to upgrade its role as a regional clearinghouse on trade and environment issues and as a platform that dynamically involves key North American stakeholders. Moreover, the CEC should continue building upon its unique institutional trilateral structure, bestowed by the NAAEC, to support North American jurisdictions in making informed decisions. Numerous strategies and approaches can support these objectives. This section analyzes how the CEC can inform policy, offer added value for North American economic and environmental integration, and ultimately measure its success.

Since its creation, one of the CEC's key roles has been **knowledge and information production and dissemination**. The CEC is a credible convener of high quality research, as well as a specialized knowledge conveyer on trade and environment issues in North America. It has created comprehensive and useful methodologies to assess the environmental effects of trade while gathering and producing information on a vast array of topics. However, the organization has experienced difficulty in disseminating information outside specialized circles of experts. Expanding the CEC's outreach and constituency remains a challenge. Consequently, the general public and civil society are not sufficiently aware of the CEC's work and of the availability of information on trade and environment issues. In addition, some experts mentioned that documents, findings and recommendations of the CEC should be disseminated more effectively to trade officials.

Better dissemination of CEC work could increase its capacity to influence policy both in government and private sector. Numerous strategies can be deployed to accomplish this. A few examples were discussed during the roundtable. For instance, the CEC could draft a formal communication plan stating clear sector-oriented objectives. It could be done by engaging key stakeholders more closely. Symposia findings and reports could be summarized into bullet-point conclusions or sector-specific summaries and then sent to partner organizations to be disseminated in their own networks. In order to relay information to decision-makers, the CEC could also develop short briefing notes and media releases with clear action recommendations which relate to current, up-to-date national priority areas and could therefore be easily understood and publicized.

Engaging key stakeholders has always been another important mission for the CEC and one of its strengths. Its specificity as an intergovernmental body allowed the CEC to engage officials from all three NAFTA Parties, while creating a strong relationship with the public through the Joint Public Advisory Committee (JPAC). Targeted communication approaches and better networking strategies with key sectoral stakeholders could be designed and implemented. could improve outreach to key people.

In light of the ever-expanding geographical and sectoral scope of trade and environment issues and of the need to engage with new stakeholders—notably in the private sector—some experts suggested that the CEC could maximize the use of its scarce resources by systematically seeking to **develop partnerships** with four key constituencies: government officials and intergovernmental organizations, private sector and industry associations, NGOs and civil society, and academic networks. With each of these constituencies, improved information dissemination, new partnerships and active engagement could increase the CEC’s capacity and influence. Such approach would allow the CEC to play a catalytic role and to multiply the impact of its programs. Experts also suggested that building such partnerships could help de-politicize CEC initiatives by integrating them into broader, multi-stakeholder agendas, making them more effective in the process.

Informing and influencing policy is another central role of the CEC and one of the key areas where it needs to show added value. “Policy” is understood here as the outcome of complex political agenda-setting and decision-making processes among other elements. The CEC needs to enhance its capacity to inform these processes on both the demand (agenda) side as well as the supply (policy options) side.

Generally speaking, the experts believed that the CEC’s work had a small influence on policy in the three countries.³ The reasons for this situation are mainly institutional and related to the policymaking processes in the three

³ The CEC’s Ten-year Review mentions that “the CEC has raised the awareness of the policy community and helped ‘move the agenda’ in a number of areas,” such as pollutant releases, children’s health and the environment, sound management of chemicals, biodiversity and Article 13 reports, at page 17.

countries. Moreover, the CEC is not perceived as having strong bonds and networks with government officials in the three countries. In this context, it is difficult to convey policy recommendations. According to the experts, the CEC fulfills its mandate of documenting the environmental impacts of NAFTA, but the information does not reach high-level decision makers. CEC recommendations are discussed by environment officials or junior trade officials only and were not delivered to high-level officials in an appropriate format with relevant contents.

The CEC should thus seek to increase access to senior policy and decision makers and develop proactive government networks in each country. Experts believe that the CEC would benefit from establishing new formal and informal channels of discussion both at the federal and state/provincial levels. They pointed out that informal agreements among stakeholders can also have a strong impact on the North American environment. Moreover, a closer relationship at the state/provincial level, where most environmental policy is made, could help the CEC position itself as a catalyst contributing to the compatibility of environmental policies.

Furthermore, in order to influence policy, greater efforts will be needed to improve environmental awareness in key processes shaping North American economic integration. The NAFTA **Free Trade Commission** (FTC) and the **Security and Prosperity Partnership** (SPP) are among key trilateral fora that could benefit from the CEC's expertise, as they already address numerous trade and environment issues. Since the experts were unaware of any past CEC achievements resulting from collaboration with the FTC, they recommended that the CEC proactively seek to enhance its collaborative effort with the FTC as provided under NAAEC Article 10.6. The recent (unprecedented) expression of interest on the part of the FTC to collaborate with the CEC on the issue of competitiveness and consumer electronics may bode well for a closer relationship in the coming decade.

The experts also suggested developing new links with the SPP and presenting officials with reports on the issues that are relevant to the CEC's [sic: SPP's] work. They believe that the CEC should be given an enhanced role to assist trade departments in dealing with environment-related issues raised in trade policy, including those external to NAFTA. Agriculture, energy, invasive species, trade in services, investment rules and transportation are among the key trade-related issues on which the CEC could bring added value. Technical cooperation on environmental standards was mentioned several times by experts as an issue necessitating more research and suggestions. Others also suggested that the CEC should involve more government officials working outside the trade and environment ministries, including officials from transport, energy or agriculture, for instance.

The CEC's accumulated expertise can inform policy processes, trade negotiations and environmental assessments of trade and sectoral policymaking, leading to improved economic and environmental outcomes. In order to accomplish this, most experts believe that the CEC will need to be fully supported by its Council and receive a clear mandate to genuinely improve the relationship. This requires a high level of political commitment from the three countries.

According to a majority of the experts, the CEC also has to become more policy- and result-oriented. This means that the CEC needs to orient its work program towards areas that are relevant to the FTC and trade ministers. In addition, the CEC should focus on delivering concrete recommendations to NAFTA members in a format that is adapted to their needs. Policy can be designed to create triple-win outcomes for the economy, trade and the environment if it is properly informed. The role of the CEC is to show more clearly the linkages between trade and environment and propose policies that enhance trade competitiveness and are conducive to a healthy North American environment. It should also put efforts into mainstreaming more thoroughly environmental issues and sustainable development concepts into trade policy making. Last but not least, the CEC needs to develop methodologies to assess its policy influence and measure its role in the adoption of new policies, standards, laws or regulations.

Almost all consulted experts stressed that the CEC should **engage the private sector**, especially corporate decision-makers and business academics. Given that intra-firm trade represents over 40 percent of world trade, private sector policies are especially influential on trade and environment issues. Working with private sector actors would help identify best practices and develop successful incentives and strong engagement strategies. The best way to engage the corporate world would be to develop strategies and tools that would ultimately generate value for businesses. For instance, more information on environmental standards trends internationally could help corporations stay at the cutting edge, enhance business predictability, reduce risk and improve competitiveness while encouraging a shift towards greener technologies.

Multiple ways to engage the private sector were discussed at the roundtable. For instance, the CEC could develop a flagship report of best practices in all three countries, combining best corporate policies and environmental management practices as well as ways to implement such practices. The CEC could also create an annual award for rewarding good corporate citizens in different categories such as Corporate Social Responsibility, environmental project assessment practices, life-cycle product analyses, purchasing requirement practices, etc. Such initiatives would help make the CEC known to the private sector.

In the long run, increasing private sector involvement could lead to more result-oriented strategies and findings that would generally increase the CEC's impact and contribute to realizing the objectives set forth in the NAAEC. By positioning itself between policy makers and businesses, the CEC could also become a key solutions conveyer that would improve North American public and corporate policies. However, some experts mentioned that in engaging the private sector, the CEC should be careful not to let business' concerns and interests drive its agenda.

Considering the limited human and financial resources of the CEC compared to the scope of its task, numerous experts suggested that the CEC join forces with other research organizations by **engaging the academic sector**. By identifying institutions that are working on subjects of interest to the CEC and creating mutually supportive links with scholars, faculties, and universities, the CEC could strengthen its position as a focal point on trade and environment issues in the academic community.

Moreover, the CEC needs to engage more closely epistemic authorities, scientists and professional strategic constituencies such as engineers, architects and public health professionals. The CEC should improve its scientific peer-review process to ensure the quality of its work. For instance, a scientific panel could be created in order to review and complement the research that has been done so far in the CEC, creating a solid basis for future research. It could also be an opportunity for the CEC to broaden the number of researchers involved in trade and environment issues.

Last but not least, the CEC's links with civil society have always been one of its strengths. Some experts suggested that the CEC might establish links with social NGOs. Alliances between social and environmental NGOs are offering a powerful constituency to leverage as they support one another and can increase their influence on certain issues. Another suggestion made by experts was to involve and try to disseminate information within broader national umbrella organizations and "stakeholder networks." Developing partnerships with such networks would increase the CEC's outreach and networking opportunities.

V. DEFINING THE CEC'S NICHE: AN OBJECTIVES AND CRITERIA-BASED APPROACH

The number of environmental issues at the intersection of trade that require deeper attention is too important for the CEC to tackle them all at once. Furthermore, the scope of some topics, such as climate change, is so wide that most experts stressed the necessity to narrow them down to smaller and more specific areas of work. In order to do so, it was proposed that predefined criteria, reflecting the CEC strengths and capacity and catered specifically to its strategic goals and targeted audiences should be used to orient its future work priorities.

The main strategic objectives that emerged from the roundtable discussions were:

- Greater and more effective dissemination of CEC-produced information to all constituencies: leaders, scholars, private sector and civil society;
- The production of more policy-oriented and policy-relevant recommendations, taking into account the trilateral cooperative environment;
- A contribution to the greening of North American trade and to environmental law enforcement in all three countries; and
- The creation of partnerships with external entities and increased engagement of key stakeholders

In each case, the audiences that need to be targeted will either be decision-makers, academia, the private sector or NGOs and civil society. Each audience

will require a specific engagement strategy catered to a defined set of objectives.

In defining its specific niche, numerous experts mentioned that the CEC could adopt a **regional approach**, focusing on strengthening the North American community. In this regard, the CEC could find its niche by identifying areas of commonality among NAFTA countries. Some experts suggested that climate change adaptation and mitigation offers such many niche opportunities for the CEC.

In addition to this regional focus, several experts stressed the importance for the CEC to look at trade-related environmental issues in their **global context**, especially taking into account their impacts in terms of competitiveness and world consumption and production patterns. It was suggested, for instance, that the CEC could better inform policy makers on how environment-friendly provisions can be introduced into bilateral or multilateral agreements between NAFTA Parties and other countries in order to green trade. The CEC could also find ways to encourage the three countries to create legislations requiring the private sector to implement Corporate Social Responsibility policies in developing countries. In this way, the CEC would help the NAFTA countries impact positively on the rest of the world.

In this regard, some experts suggested that the CEC's cumulative expertise would be highly beneficial to other regions experiencing regional economic integration such as the Central American Free Trade Area (CAFTA) and Mercosur for instance. Exchanges with these regions would allow them to make a gradual transition to deeper economic integration without the adverse environmental effects at the same time as it creates an improved level playing field for trade internationally.

Experts suggested that a set of criteria should be developed based on these strategic objectives and geographical priorities. A potential set of criteria was proposed during the roundtable to identify the CEC's niche. The CEC priority issues should:

- Be central strategic public priorities in all three countries;
- Actively contribute to building a North American community;
- Be chosen from a global perspective to develop a first mover advantage; and
- Reflect the known consensus and priorities of North American leaders.

It was suggested that in applying those criteria the issue of climate change would emerge as the CEC's first priority. In this regard, one expert suggested that the CEC's role could be to support the creation of a North American consensus regarding the post-Kyoto regime that would allow the three countries to take on new commitments as a single North American community in the same way Europe did in 1992. Other issues, such as energy, biodiversity, human health, and water also emerged from the application of these criteria.

A discussion based on strategic objectives, target audiences and criteria provides a productive, structured approach to define and analyze the CEC's niche. More work will be needed to further refine this approach and to produce a complete set of recommendations.

CONCLUSION

Over the last ten years, the CEC has contributed to improving the general understanding of trade and environment issues and to engage governments, civil society, academics and private sector stakeholders into a productive dialogue on NAFTA and its effects on the North American environment. The CEC has now acquired world-class credibility on trade and environmental issues.

However, one of the key lessons learned from the last 14 years is that the CEC is experiencing difficulty in informing policymaking in North America. It has produced excellent policy recommendations but failed to see them implemented. This is symptomatic of fluctuating political support and of a gradual demobilization of the CEC constituencies as the trade and environment agenda was becoming less controversial.

The CEC is facing several challenges arising from a changing context, new drivers of change, and a shifting mix of issues. Deeper North American economic integration, increased private sector leadership, rapidly changing climate change and energy policies, and the rise of new trading relationships with India and China are only a few elements changing the environment in which the CEC operates.

Despite the fact that the context and challenges are different, the CEC's role of assessing the environmental effects of trade and informing policy remains the same. In order to remain relevant and useful to its parties, the CEC needs to adapt its trade, economy and environment program to emerging issues to identify its niche and to enhance its capacity to influence policy and decision making processes as to clearly demonstrate how it impacts trade and environmental outcomes in North America. This report summarized key findings from a series of interviews and from a roundtable of experts held in Phoenix, Arizona, on 24 April 2008.

Discussions at the roundtable focused on three key questions:

1. What are the issue-areas on which the CEC should focus? How can it best address these issues?
2. Which key stakeholders should the CEC engage and how? Should the CEC build new partnerships?
3. How best can the CEC produce result-oriented and policy-relevant material to influence trade, environment and other sectoral policies? Should it play a role in other North American integration processes?

These three questions were addressed in the context of one broader question: how can the CEC find its niche, remain relevant and provide added value to North American integration in the upcoming decade?

Discussions held at the roundtable and prior to it in the context of interviews brought partial responses to these questions. Further work will be needed to expand on this strong basis and develop concrete lines of recommendations for the CEC. Several experts showed interest in moving this reflection forward by giving a second life to the roundtable in the context of the CEC's 15th anniversary. Should this idea be pursued, it would be an important legacy of this process.

BIBLIOGRAPHY

CEC. 2002. *The Environmental Effects of Free Trade: Papers Presented at the North American Symposium on Understanding the Linkages between Trade and Environment*. Montreal: CEC

CEC. 2005. *Trade and Environment in North America; Third North American Symposium on Assessing the Environmental Effects of Trade: Investment, Growth and the Environment*. Montreal: CEC.

CEC. 2008. *Operational Plan of the Commission for Environmental Cooperation 2008*. Montreal: CEC.

Independent Review Committee. 1998. *Four-year Review of the North American Agreement on Environmental Cooperation: Report of the Independent Review Committee*. Montreal: CEC.

Ten-year Review and Assessment Committee (TRAC). 2004. *Ten Years of North American Environmental Cooperation: Report of the Ten-year Review and Assessment Committee to the Council of the Commission for Environmental Cooperation*. Montreal: CEC.

Environment Canada. 2007. *Evaluation of Canada's Participation in the Commission for Environmental Cooperation (CEC)*.

APPENDIX I: LIST OF EXPERTS INTERVIEWED

Hussein Abaza*

Chief
Economics and Trade Branch,
Division of Technology,
Industry and Economics
United Nations Environment
Programme,

Gustavo Alanis Ortega

Presidente
Centro Mexicano de Derecho
Ambiental (CEMDA)

Dale Andrew*

Head, Trade Policy Linkages
and Services Division
OECD Trade and Agriculture
Directorate

Johannes Bernabe*

Senior Adviser
Trade in Services and Labour
Mobility
Dispute Settlement and Legal
Aspects of International Trade
International Centre for Trade
and Sustainable Development
(ICTSD)

Greg Block*

Vice-President
Conservation Programs
Wild Salmon Center

Chantal Line Carpentier*

Sustainable Development
Officer
UN Department of Economic
and Social Affairs
Former Program Manager,
Environment, Economy and
Trade Program
Commission for Environmental
Cooperation

**Adriana Nelly Correa
Sandoval**

Directora, Cátedra Andrés
Marcelo Sada en Conservación
y Desarrollo Sostenible
Profesora Investigadora,
Centro de Calidad Ambiental
ITESM Campus Monterrey

Brad Gentry

Director
Center for Business and the
Environment, Yale University
Senior Lecturer and Research
Scholar
Yale School of Forestry and
Environmental Studies

Irene Henriques*

Associate Professor
Schulich School of Business,
York University

Roland Hosein

Board Member
Canadian Manufacturers &
Exporters

Clive George

Senior Research Fellow
Institute for Development
Policy and Management

Veena Jha

Visiting Professor
Warwick University

Colin Kirkpatrick

Hallsworth Professor
Development Economics
Director
Impact Assessment Research
Centre Institute for
Development Policy
Management School of
Environment and Development
Humanities

John Kirton*

Director, G8 Research Group
Research Associate, Centre for
International Studies
Munk Centre
University of Toronto

Howard Mann

Senior International Law
Advisor
International Institute for
Sustainable Development

Katia Opalka
Former Legal Officer
Submissions on Enforcement
Matters Unit
Commission for Environmental
Cooperation

Umberto de Pretto
Deputy Secretary General
International Road Transport
Union

Carlos Sandoval*
President
Consejo Nacional de
Industriales Ecologistas, A.C.
(CONIECO)

Claudia Schatan*
Economic Affairs Officer
ECLAC Subregional
Headquarters in Mexico

Benjamin Simmons
Legal Officer
Economics and Trade Branch
United Nations Environment
Programme

Robert Slater
Adjunct Professor in
Environmental Policy,
Carleton University
President, Coleman Bright and
Associates

Blanca Torres*
Profesora
El Colegio de México
Centro de Estudios
Internacionales

Scott Vaughan
Fellow
Unisfera International Center
Former Head, Environment,
Economy and Trade Program
Commission for Environmental
Cooperation

Jacob Werksman
Program Director
Institutions and Governance
Program
World Resources Institute

***These experts
participated in the
roundtable.**

APPENDIX II: QUESTIONNAIRE FOR THE EXPERTS

- 1) How has the relationship between trade and environment in North America changed since the entry into force of the NAAEC in 1994?
 - a. What have been the drivers of change?
 - b. How have these drivers affected the way we understand the trade and environment relationship?
 - c. How is NAAEC implementation—and thus the work of the CEC—impacted by these changes?

- 2) What will be the drivers of change in the field of trade and environment over the next decade?
 - a. How will these drivers affect the work of the CEC on trade and environment issues?

- 3) How important will the following issues be for guiding the trade and environment agenda and assessing the environmental impact of trade in North America over the next 10 years? (grade from 1 to 10)
 - a. Energy
 - b. Climate change and carbon trading
 - c. Agriculture and Food
 - d. Habitats and biodiversity
 - e. Invasive Species
 - f. Services trade
 - g. Transportation
 - h. Pollution havens
 - i. Environmental barriers to trade
 - j. Non-compliant imports
 - k. Clean technologies
 - l. Security and border management
 - m. Chemicals management
 - n. Cross-border trade in hazardous materials
 - o. Technical cooperation on environmental regulations and standards
 - p. Investment rules
 - q. Competitiveness and environment
 - r. Consumption patterns
 - s. Production patterns
 - t. Price of natural resources
 - u. Corporate social responsibility
 - v. Others, explain _____

- 4) What three issues should the CEC address as part of its work on understanding the linkages between economic integration and the environment over the next 10 years?
 - a. Why are these issues important?
 - b. How could the CEC best address these issues?
 - c. How can the CEC best influence policy and decision-making by the private sector in North America?

- 5) How best could the results of CEC work on the environmental effects of trade and economic integration inform and influence policy and decision making in North America?
 - a. Should new strategies be adopted? If so, which ones?

- b. Can the CEC generate relevant advice for both public and private policy?
How?
- 6) How should the CEC's success be measured over the next ten years?
- 7) The North American Agreement for Environmental Cooperation provides a mandate for the CEC to cooperate with the NAFTA Free Trade Commission to achieve environmental goals and objectives of the NAFTA, including assisting the FTC in environment-related matters.
 - a. On which issues do you think cooperation and/or assistance has been effective?
 - b. On which issues do you think further cooperation and/or assistance is required?
- 8) On the margins of the Symposium there will be a JPAC regular session. What key issues and questions should be addressed during the expert roundtable /public session held by the JPAC at the next symposium?