

THE CUTTING EDGE AND THE NITTY GRITTY: *Environmental Protection in Mexico*

Allen Blackman

Rapid economic growth in developing countries has typically been accompanied by serious environmental degradation. Mexico is no exception. According to a recent World Bank study, 40% of the country's aquifers are overdrawn, less than 10% of its municipal wastewater is treated, air quality in a number of large cities is dangerously poor, and deforestation rates are among the highest in Latin America.



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These statistics probably paint an overly pessimistic picture, however. Over the last 20 years, Mexico has made enormous progress in developing the capacity to better protect its environment. In the 1990s, it passed three major national environmental laws and began in earnest the difficult process of building environmental regulatory capacity at the state and municipal levels. Mexico also strengthened its federal environmental regulatory agency by, among other

things, consolidating a number of national institutions with related missions, and separating standard setting and enforcement functions. These and similar efforts have already borne fruit. Perhaps the most visible sign of progress has been a substantial improvement in Mexico City's notorious air pollution.

Mexico's Secretary of Environment and Natural Resources, Victor Lichtinger, was scheduled to address the symposium but had to cancel at the last minute. His speech, as delivered by Teodoro Maus, minister, Representation Office of the Mexican Environmental and Natural Resource Ministry, provides an informative overview of some of the key environmental issues currently facing

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Mexico as well as some insight into the Fox administration's thinking about environment. Five themes are apparent.

First, Lichtinger repeatedly mentioned harnessing market forces to improve resource allocation and protect the environment. This emphasis reflects the recognition that in Mexico, several key natural resources are priced below market levels and "getting prices right" can help to alleviate scarcity. It also echoes the increasingly popular view that market-based environmental regulatory instruments, such as emissions fees and tradable permits, are generally preferable to conventional command-and-control instruments like technology standards.

Second, Lichtinger highlighted opportunities for Mexico to engage in "technology and policy leap-frogging," that is, to adopt technological and policy innovations developed by industrialized countries. In doing so, Mexico hopefully will be able to avoid the prolonged dip in environmental quality that has historically been associated with industrialization.

Third, Lichtinger stressed opportunities for private-sector firms and consumers to make contributions on the environmental front. He mentioned voluntary corporate programs, such as ISO 14000 (the voluntary international environmental protection standards), and promoting "green markets" for products produced in an environmentally friendly fashion.

Fourth, he emphasized opportunities presented by trade-oriented international agreements and organizations—such as the Organisation for Economic

Co-operation and Development (OECD), the North American Free Trade Agreement, and the Puebla Panama Plan—for coordinating and strengthening Mexican environmental policy.

Finally, he highlighted the importance of designing international environmental agreements, in particular those governing greenhouse gases and genetic resources, in such a way as to accommodate interests of countries like Mexico.

Leaving aside the final theme—which is more a developing country position than a Mexican one—the first four themes represent strategies for advancing environmental protection by some means other than conventional, top-down, command-and-control regulation—the policy tool that has been the workhorse of environmental protection efforts in industrialized countries. Such alternative regulatory strategies have been touted (by the World Bank and OECD, among others) as a means of promoting environmental protection in developing

countries despite pervasive barriers to conventional regulation such as limited funding, weak regulatory institutions, and a lack of political will. Hence, Lichtinger's remarks demonstrate an appreciation for "cutting-edge pollution control politics."

But will using market-based regulatory instruments, promoting voluntary regulatory programs, strengthening the pro-environmental aspects of international agreements, developing markets for "green" goods, and lifting energy and water subsidies solve Mexico's grave environmental and natural resource problems? Certainly, they can help. But, as some of Lichtinger's remarks suggested, they are not likely to



Teodoro Maus, minister, Representation Office of the Mexican Environmental and Natural Resource Ministry, stood in for Victor Lichtinger, the secretary of the Environment and Natural Resources Ministry.

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be effective absent many of the same preconditions and institutions needed for conventional regulation—they are not a “silver bullet.”

For example, as a number of us at RFF have argued elsewhere, market-based instruments like emissions fees, and especially marketable permits, generally require monitoring and enforcement capacity that are in scarce supply in developing countries. The efficacy in developed and developing countries of voluntary programs like ISO 14000 has been the subject of intense debate. The same is true of environmental institutions such as the North American Development Bank, which was created by several international trade and cooperation agreements. Markets for green goods are exceptionally thin in developing countries and, for that matter, in most industrialized countries. Finally, as Lichtinger mentioned, political constraints make removing subsidies exceptionally difficult.

Unfortunately, to advance environmental protection in Mexico there is no getting around the need to do the hard work of building regulatory capacity. A brief look at attempts to regulate one set of polluters in one Mexican city may provide some insight into the nature and extent of the problem.

León in the state of Guanajuato produces about two-thirds of Mexico’s leather. Virtually all of León’s approximately 1,200 tanneries dump untreated toxic effluents directly into municipal sewers and the resulting pollution has severely contaminated surface and ground water. For the past 15 years, local and federal regulators have attempted to compel the tanning industry to treat its wastewater. Yet, despite years of wrangling, national and international publicity, the intervention of public officials at the highest level, and four written agreements between regulators and tanners, very little progress has been made.

In a broad sense, the explanation for the current state of affairs in León has to do with the lack of legal, administrative, and municipal “infrastructure” that regulators need to do their jobs, capabilities that are generally taken for granted in industrialized countries.

Regulators have lacked the necessary legal framework, such as regulations implementing federal and state environmental laws. For example, municipal standards for wastewater quality were not promulgated until 1998 and, before this, regulators had no law to enforce. As a result of the slow progress of Mexico’s environmental decentralization initiative, state and municipal environmental regulatory organizations have been non-existent or weak. León’s municipal water and sewer authority was not created until 1985, and state regulatory agencies were not established until 1996.

Until 2001, León had no municipal wastewater treatment plant to treat organic wastes, and, as a result, the local tanning lobby was able to argue that the state was not fulfilling its responsibilities in mitigating local water pollution problems. Just as important, there is still no hazardous waste treatment facility within hundreds of kilometers of León.

Finally, local regulators have not enjoyed the political support needed to successfully take on a well-organized and powerful lobby group.

Such problems face regulators in every region and in every polluting sector in Mexico. Overcoming them represents the nitty gritty of advancing environmental protection in that country. Although Lichtinger’s remarks highlighted some of the more innovative aspects of Mexico’s environmental agenda, it perhaps bears emphasis that the country’s less-visible progress in building regulatory infrastructure is at least as important and impressive. ■