

Abstract

of paper proposed for the

Commission for Environmental Cooperation's
**North American Symposium on Understanding
the Linkages between Trade and Environment**

Assessing the Environmental Effects of NAFTA on the Forestry Sector in Mexico
by Texas Center for Policy Studies and Comisión de Solidaridad y Defensa a los Derechos
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The Forestry Industry in the State of Chihuahua: Economic, Ecological and Social Impacts post-NAFTA

The State of Chihuahua has more hectares of forest than any other state in Mexico and is second only to its neighbor Durango in total wood production. In fact, Chihuahua as a state earned more money from forestry products than any other state in Mexico during 1997.¹ Most of this forested land and most of the resources are found in the mountains known as the Sierra Tarahumara, named after the most populous of the indigenous tribes which inhabit the area.

Nonetheless, despite its rich array of pines and oaks, and the thousands of individuals who earn a living from forest products, the forestry sector can not be seen as a success story. Mexico faces a huge commercial deficit in forestry products, primarily due to imports of pulp and paper products from Canada and the United States. Most *ejidos* and rural communities—which control the land and resources in the Sierra Tarahumara—still make little money from forestry products, with most of the profits flowing to larger companies. In the meantime, the social and ecological impacts of the forestry sector are real, with high rates of deforestation, water quality impacts, loss of biodiversity as well as social tensions created by differing visions over the forest's resources and how to manage them. Investments in Mexico by US and Canadian companies have had limited success. The Mexican government has responded by promoting commercial plantations through tax breaks. At the same time, the government's enforcement and application of forestry law has been ineffective in the region, leading to unsustainable forestry practices.

The proposed paper would apply the CEC's Final Analytic Framework for Assessing the Environment Effects of NAFTA to the Sierra Tarahumara region and to the forestry sector, including logging operations, sawmills, paper and pulp manufacturing and finished wood products. In particular, the paper will look at elimination of tariff barriers since NAFTA went into effect in 1994 as well as investment in the forestry sector and in commercial plantations by Mexican, US and Canadian companies, as well as the social

¹ Semarnap, Anuario Estadístico de Producción Forestal, 1997, 19.

and environmental impacts. Finally, the paper will look at the patterns of environmental regulation and enforcement in Chihuahua and its impacts on investment patterns and logging practices.

The report will also examine the applicability of several of the hypotheses contained within the final analytic framework to the Chihuahuan forestry sector. These would include whether companies in the paper and pulp and timber sectors are investing in Chihuahua to take advantage of less forestry regulations or enforcement (including the lack of endangered species prohibitions); whether NAFTA's liberalized rules of trade could lead to sustainable forestry practices in Mexico through consumer preference; and whether NAFTA is helping to lead to upward convergence of environmental practices and regulations through either market-driven forces or government activities.