

- VNRI development, for the purposes of trade competitiveness, should focus on internationally recognized approaches and recognition of Canadian VNRIs by foreign schemes.
- Negotiated agreements, including covenants, appear to be very effective in achieving environmental objectives and may enhance trade competitiveness.
- There is increasing demand for VNRIs that are more efficient, quantitative and verifiable.

## Objectives and Scope

The Task Force on Trade and Environment of the International Trade Advisory Committee commissioned this research project with three objectives:

1. **To identify the trade implications of a range of non-regulatory initiatives and to assess the nature and significance of trade impacts.**
2. **To examine emerging environmental and related risks to the export performance of Canadian industry.**
3. **To identify opportunities to apply non-regulatory approaches to mitigate these risks and enhance our competitive positioning.**

The report considers trade primarily through the lens of Canadian exports, as well as investment to support exports and to build offshore operations. Non-regulatory initiatives include voluntary challenges, codes of practice, standards, environmental labeling and negotiated agreements. Collectively, these are referred to as VNRIs. The report excludes the analysis of the voluntary provision of unverified information, economic instruments and, of course, purely regulatory initiatives.

The report primarily addresses environmental risks, with limited reference to human rights and other social issues, which can also have impacts on trade. The scope of the analysis focuses essentially on the experiences of Canadian industry but includes several interesting developments in Europe and the US. The research covers a wide range of primary and secondary industries with significant export activity, including a brief exploration of an export-oriented service sector (tourism). The research deliberately does not describe how to develop VNRIs, nor does it go into depth regarding the effectiveness of the VNRIs in achieving environmental objectives. The research is directed toward the global competitiveness of Canadian industry, focusing on present and future risks from environmental concerns in export markets, and the potential of VNRIs to reduce those risks and enhance trade competitiveness.

## Approach

The approach included a literature review of developments in trade, emerging environmental and related issues and material on voluntary and non-regulatory approaches to environmental protection. The research included an analysis of