

trade rules can be adapted to accommodate environmental concerns. Efforts to use trade measures to achieve environmental goals are likely to continue to increase. Consequently, it makes sense to effect such changes as can be made in order to ensure that environmental concerns can be addressed without destroying the carefully developed but fragile consensus favouring an open global economy. Additionally, environment-driven improvements in the trade rules must be considered in the broader context of remaking the trading system to address the problems generated by today's international economy.

### **The Environment and Trade Negotiations**

Trade agreements are fundamentally about regulating government behaviour. They set out rules about what governments can do to regulate and influence the flow of goods, services, investment, technology and labour across national frontiers. The success of earlier negotiations in reducing barriers has led to a tremendous growth in world trade and in global economic integration. That increased integration has identified new areas of friction and conflict. As a result, the focus of trade negotiations is changing from measures applied at the border – tariffs and quotas – to measures and policies used by governments to regulate and influence behaviour in the domestic market. Efforts to negotiate rules about trade and the environment, therefore, are part of a larger effort to develop international standards and consensus on a wide range of issues traditionally considered to be domestic in character, such as competition policy, social policy and labour policy. These raise very difficult issues, not the least of which is the extent to which governments are prepared to raise the level of international agreement and accept new inroads into domestic economic decision-making.<sup>29</sup>

This evolving agenda represents a fundamental shift in focus and will only succeed if approached carefully and incrementally. It took years to develop the current rules about border measures. It is unrealistic to expect that the necessary intellectual capital and international consensus can be developed in a few short years to address an even more complex set of issues. The major challenge today, therefore, is not whether we should negotiate about some of these difficult issues, but how. A fundamental consideration in determining how to begin to address these issues is the requirement that governments must be careful not to undermine the basic principles that underpin the global trading system.

The GATT-based system provides a framework of rules, a negotiating forum and an institutional setting aimed at promoting competition and specialization through trade. These rules may need modernization to reflect today's much more

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<sup>29</sup> Michael Hart explored the trend toward an ever-widening ambit for trade negotiations in greater detail and outlined some of the challenges to negotiators and researchers posed by these developments at an October 25 conference at Queen's University. See "After NAFTA: Trade Policy and Research Challenges for the 1990s," to be published in a conference volume edited by William Watson.