

1.0 Introduction

The purpose of this report is to determine how voluntary and non-regulatory approaches can be used in Canada to achieve environmental objectives while fostering increased trade competitiveness. Concurrent with the growing role of international trade has been increasing awareness of environmental issues. As with social issues, environmental issues have become significant factors in trade disputes. Likewise, trade is having significant impacts on the environment.

Facing increasingly complex environmental challenges on a global scale, society is developing additional tools, including voluntary and non-regulatory approaches, to complement regulatory and fiscal tools.

This report examines recent developments in international trade and investment and the environmental issues that affect them. It describes and assesses the major voluntary and non-regulatory initiatives taken in Canada and internationally and analyzes their actual and potential effects on export and investment competitiveness.

The Role of Trade in the Canadian Economy

Trade is increasingly important to the Canadian economy. **Total exports in the manufacturing sector increased from \$117 billion in 1990 to \$220 billion in 1995, growing at a compounded annual growth rate of 11%, far exceeding the growth of the economy.** The compounded average annual growth rate of total exports for Canada was nearly 10% over the 1990-95 period. According to the IMF, Canada places seventh in the world in total exports.

Over 60% of the value of Canada's production is exported and exports account for about one-third of Canada's GDP. Although not depending on foreign trade to the extent of nations like the Netherlands, where exports account for 53% of GDP, the Canadian economy is becoming more export-based.

Although still very important, resource-based products no longer dominate Canada's exports. The largest industry sector, transportation equipment, accounts for \$71 billion. The second largest, electric and electronic equipment, exports over \$20 billion in total. Other important industry sectors include machinery and chemicals.

The trend globally is to increase trade by opening up economies and reducing the barriers to trade and investment. Because of the benefits of increased efficiency and the attendant wealth it creates, trade is viewed by many governments and international agencies as a powerful tool in the transition to sustainable development. However, free trade has its detractors, in Canada and elsewhere, who note the decrease in self-reliance, the increased pressure on the environment due to growth and the inequitable distribution of its benefits within and between countries. Critics of growing international trade include a