

While some work has been done to understand the effectiveness of VNRI in achieving environmental objectives, little has been done to understand their impacts on trade competitiveness. For example, what impacts will ISO 14001 have on Canada's auto parts industry? And how do environmental labels affect export prospects?

Because of the importance of trade to the Canadian economy, especially the trade in products involving significant environmental issues, the Task Force on Trade and Environment of the International Trade Advisory Committee considers it necessary to better understand how VNRI affect trade competitiveness.

This report is timely. During the next several years there will be considerable development of VNRI and other policy tools as Canada and its trading partners come to grips with protocols on climate change, persistent organic pollutants and other issues, and as consumer demand in Canada's export markets continues to "green."

This report is primarily intended for policy-makers, corporate managers responsible for international marketing and for environment, business association leaders and representatives of civil society with an interest in trade and environment.

The report builds upon and complements the work of the Conference Board of Canada's Business and the Environment Research Program and the New Directions Group. Using case studies, interviews, and a literature survey of Canadian and foreign experience, the report examines emerging environmental and related risks to the export performance of Canadian industry, identifies trade implications of a range of VNRI and assesses the nature and significance of their impacts on trade.

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¹ The exclusion of fiscal instruments and market-based instruments from the definition of VNRI is somewhat arbitrary but is consistent with the work of the New Directions Group and the Conference Board of Canada.

² This report uses "eco-label" and "environmental label" interchangeably; however, labeling experts suggest the use of the former to give a "seal of approval" and the latter generically.