

## Preface

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This report explores how voluntary and non-regulatory approaches could be used more extensively in Canada to foster increased international competitiveness while simultaneously achieving environmental objectives.

Two trends stand out as significant over the last decade in their effects on the way business is done around the world. One is increasing globalization in which rates of growth in international trade are consistently outstripping growth in global product. With trade barriers rapidly falling and liberalization proceeding apace in developed and developing countries alike, many domestic industries are finding they have no choice but to become competitive at the international level.

The other is increasing concern worldwide for the environment, and the plethora of resulting domestic, international and non-governmental measures which impact on the conduct of business. At the international level, since the 1992 Rio Summit, numerous environmental agreements have been made. In process are multilateral agreements on forestry, chemical safety and biosafety. At the national level, environmental technical regulations have mushroomed. As well, non-governmental actions ranging from environmental labels to consumer boycotts have had an important impact on Canada's export markets.

**During this period of unparalleled trade growth and unprecedented efforts to protect the environment, there has been a growing realization by experts and by leaders in industry and some government departments that traditional regulatory tools alone are not adequate.** First, the job of environmental protection is tougher than anticipated. Second, there are tasks for which the tools were never designed, such as addressing the need to substantially reduce resource throughput. Third, in an era of deficit fighting and government downsizing, the expense and inefficiency of the regulatory approach have become issues. Finally, the prescriptive nature and lack of flexibility of the regulatory approach have not allowed business adequate opportunity to develop innovative, effective and efficient means to achieve environmental goals.

These developments have led to a growing interest, particularly in Europe, in non-regulatory tools for environmental protection, such as fiscal instruments (e.g., green taxes) and market-based schemes (e.g., emissions trading). There is also interest in a range of non-regulatory, non-fiscal approaches, referred to in this report as voluntary and non-regulatory initiatives (VNRIs).<sup>1</sup> Of the broad and evolving range of VNRIs, this report focuses primarily on voluntary challenges, codes of practice, environmental management systems, environmental labeling<sup>2</sup> and negotiated agreements.