

The trade and environment agenda is quickly expanding and becoming more complex. Areas of interest include:

- The use of trade instruments to enforce compliance with domestic health, safety and environmental standards, better defining the criteria used to evaluate trade measures to ensure that protectionist restrictions are not disguised as environmental measures (of particular concern for a trade-dependent economy such as Canada).
- The appropriateness of the use of trade measures against the products of non-complying states as leverage to encourage such countries to become parties to international environmental agreements.
- Whether import restrictions should be used to enforce standards in other countries related not to the characteristics of a product, but to the "production and processing methods" (PPMs) involved in manufacturing the product (whether or not the manufacturing process is directly connected to the good threatened with import sanctions in the other country). The treatment of PPMs lies at the heart of how we are to address the well-being of the global commons, including ozone depleting processes and the carbon sink role of forests. PPMs also lie behind occasional demands for some form of environmental "countervail", on the assumption that lower standards constitute a subsidy to production affecting the cost of exports.
- The concern that another country's industry can exploit its less than stringent environmental regulations to the competitive disadvantage of Canadian producers, raising the spectre of companies flocking to "pollution havens".
- The increasing attractiveness of using market-based economic instruments over the traditional regulatory approach to achieve environmental objectives. The former approach may encourage the development of more innovative and cost-effective solutions. An impressive array of such economic instruments has been identified, including non-tax measures such as tradeable permits, user charges, and deposit-refund schemes, as well as tax instruments such as environmental charges and tax incentives. The trade policy implications of these instruments need close attention.