

integrity of the existing trade law contract, which already provides ample scope for individual countries to protect their domestic environments, as well as to challenge foreign measures that are damaging to Canadian economic and trade interests. The second track would be to promote the negotiation of global environmental agreements to resolve global problems. Such agreements should be based on globally agreed standards of environmental protection.

**Challenges facing policy-makers**

The greatest challenge is to promote substantial progress toward resolving real global environmental problems (e.g. climate change, ozone depletion, tropical deforestation) without, at the same time, subverting the integrity of the trade system to Canada's disadvantage.

International trade law is more than a set of rules. The GATT is a negotiated contract that provides for the exchange of benefits of real economic value on the basis of reciprocity and mutual advantage. It may be desirable to change some of the rules and practices to introduce a higher level of transparency in certain GATT processes. But an important test of any changes is to examine where the burden of compliance with any new rules will fall. If new rules are proposed that create an uneven burden or advantage among contracting parties, this will risk unravelling the overall balance and reciprocity in the trade contract and require fundamental renegotiation of GATT trade concessions. It seems to me that it would be in Canada's best interests to ensure that this does not happen.

**Areas for progress**

I am confident progress will be made. There are important environmental problems that need to be dealt with, and I believe there is a political will to resolve them. It would be useful for all concerned to acknowledge that. The other prerequisite for real progress is the need for participants to jettison the sanctimonious hierarchy of virtue which attaches a higher level of virtue to environmental progress than to economic progress. Both are critical to ensuring the quality of life of Canadians. Implicit in all this is the particular vulnerability of Canada and Canadians if this is not done right. Limited available resources have to be assigned first to the most important problems. Secondly, a conscious effort has to be directed at finding solutions that provide net benefit to Canadians, taking into account both environmental and economic costs. 🍁



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**Environmental standards and freer trade: complementary or contradictory?**

The protection of the environment and sustainability of life is far more important than any other aspect of human activity. Nonetheless, this doesn't mean that trade or environmental protection has to be done to the exclusion of the other. There's enough room to ensure that trade is done in a fair and equitable manner that doesn't degrade the environment. That certainly is the window of opportunity and area of focus where people concerned with trade and those concerned with the environment can come together.

That being said, one of the most fundamental concerns of environmentalists is the possibility that trade agreements will constrain the setting of environmental standards by various jurisdictions. We know that the secret to environmental progress has been the leap-frogging that has occurred among different jurisdictions. We often need to look at where the innovations are occurring in other countries, provinces and states. The concern is that trade agreements will dampen that leap-frogging, either by forcing standards down to the lowest common denominator or, even more likely, in a kind of chilling of

progress. The challenge is to ensure that efforts to put fairness in the trading regime don't inadvertently or intentionally impede environmental progress. That's a real concern. Just as people with trade interests are concerned that protectionism will be cloaked in environmental garb, environmentalists are concerned that anti-environmental interests are cloaking themselves in free trade garb.

**The evolution of thinking on trade and the environment**

We feel there is an area where trade interests and environmental interests can come together to work out policies that are not damaging to the environment and at the same time ensure there is an opportunity for trade in a positive manner, trade which contributes to sustainable development. Nothing really can happen on Earth unless there is sustainability of life, unless we can find economic systems and activities that nurture and protect the environment and therefore ensure that people can go on living prosperous and productive lives. Unless we have that environmental base there, we won't have anything. That's why it's not just more important, but fundamental, that there be environmental protection and a life-sustaining environment. Once you have that, then you can go on and build economic and human activities. Any trade that degrades the environment is threatening not just the environment but the livelihood of people and societies. Surely that runs counter to what we as a society are engaged in.

**Challenges facing policy-makers**

The greatest challenges are to operationalize some of the assumptions and principles that people have been using. For example, there is some level of recognition that in order for trade to have less environmental impact, not only do trade agreements have to have environmental safeguards, but prices of goods and services being traded need to reflect full environmental and social costs. One of the biggest challenges is to incorporate such full-cost accounting. Unless prices adequately reflect the internalized costs, there will be a significant detrimental effect.

The other related challenge is to recognize the imperative of environmental protection and act upon it. There are some things we cannot afford to lose at any cost, such as biodiversity or the protection that the ozone layer offers. The notion of trade-offs is not very useful in the context of trade and the environment. Preserving the planet and the people who live on it are the priority. Public surveys are showing that despite the recession, environmental concerns are still there, they are just temporarily being eclipsed by economic concerns. There is room to ensure that as much as possible environmental and economic priorities can be met simultaneously. There is a lot of room for that. Ground that hasn't been covered yet. But at some point in time we come to the point of imperatives. That's when the first priority must be the survival of the planet.

**Areas for progress**

We are certainly on the road where people in the environmental and trade communities are able to recognize and understand each other's language and priorities. But at the end of the day there will be some conflict of interest, which will not be readily removed. What needs to happen is to clearly mark the area of discussion, which is the well-being of people and other inhabitants of this planet. That well-being requires that some economic and environmental priorities need to be met. The challenge is to identify how those priorities and needs can be met in a mutually supportive manner. When they cannot be, then at the end of the day, when the issue really is an environmental issue that is fundamental to the survival of the planet, then that imperative must guide the development of trade policy.

At a more practical level, the issue is one of full-cost accounting. We have to start embarking on this route and drop the excuse of waiting until we have all the details right. It's a difficult thing to do, but unless we start somewhere, we'll never get there. I think the first step has to be to move into the application of full-cost pricing, perhaps on a sector-by-sector basis, recognizing the fact that there are some things that cannot have a price tag attached to them. We need to start tackling trade and environment issues at that level and not just the level of theory. The Organization for Economic Co-operation and Development, to its credit, has made some headway on moving to the practical level. 🍁