

environmental performance. Concerned that environmental management performance will be used as a trade barrier by developed countries, many companies, especially those in smaller trading nations, are getting certified to ISO 14001. **A number of Canadian companies not seeking certification are benchmarking their systems against ISO 14001.** ISO 14001's impact on trade competitiveness will depend on the extent of its adoption and acceptance as an international standard.

The linking of government procurement and VNRI's could present a significant trade barrier to some suppliers, and an opportunity to others. Business and government markets are generally more important than consumer markets for eco-labeled products. Although eco-labels' impacts on market share are not clear, it is likely that eco-labeling will have increasing significance for trade, as they become more popular. **This likelihood underscores the importance, from a trade perspective, of working on mutual recognition, equivalence and global guidelines and principles.** Eco-labeling schemes need to incorporate transparency and accessibility if they are to avoid becoming trade barriers for foreign suppliers.

There is a considerable amount of innovation in VNRI's, as international purchasers demand more hard data to substantiate environmental performance and companies search for more efficient, cost-effective VNRI's to enhance trade competitiveness.

Conclusions and Recommendations

Canada faces both risks and opportunities as environmental and related issues become increasingly linked to trade.

Possessing some potential comparative advantages in the use of VNRI's, Canada has opportunities to gain a competitive edge by strategically fostering their development. There may be some value to both trade competitiveness and environment of a comprehensive long-term strategy to "green" Canada's reputation as an exporter. Canada should invest in the development of improved VNRI's - those that are more efficient and more precise and quantitative. Canada should also explore greater use of negotiated agreements, similar to the Dutch covenant process, and should work toward increased mutual recognition of VNRI's with its trading partners. **Canadian industry should ensure that it is in the forefront in the development, implementation and promotion of tools that have international relevance and effectiveness.** It would be prudent to assess in detail the emerging risks and opportunities for a number of Canadian industries and to determine how VNRI's and related tools could be used to maintain or enhance their trade competitiveness. This research is the first step in that direction.