

thought out and circumscribed disciplines would be required. All parties to a negotiation must understand that the underlying objective is for all countries to adopt appropriate domestic environmental resource management practices. Secondly, an exception for an environmental countervail does not imply that the definition of a subsidy must be extended to a wider range of social or economic policies. The inclusion of environmental criteria in the use of countervailing duties should not be a step, for example, toward using trade policy instruments to adjust for differences in labour standards. Nonetheless, there are strong pressures in both the U.S. and the EU to use trade measures to address cost differences arising from differences in a broad range of domestic policies. These issues need to be considered on their own merits, but Pandora's box is already being pried open more than many feel comfortable with.

On the other hand, multilateral rules for circumscribed countervail of generally available subsidies, with some multilaterally agreed threshold of environmental effects, could decrease the domestic political pressure for countries, principally those countries with the most active and influential environmental groups, to act unilaterally.²⁶ If unilateralism were to occur, the smaller, trade-dependent countries may well find themselves under pressure to adopt environmental practices as directed by the larger players. If left unaddressed and unresolved, a country's exports, including Canada's, could be vulnerable to foreign countries' trade actions motivated by protectionist interests as well as environmental considerations.

Leaving immediate trade interests aside, from an environmental perspective the subsidization of resource inputs and the failure to internalize costs may have negative effects and, frankly, comprise bad economic policy as well. More generally, competitive conditions are influenced by environmental factors; and environmentally related problems, such as the over-harvesting of a renewable resource, could contribute to a reduction in a country's competitiveness over the longer term.

This Paper has explored how we might begin to address more methodically one important issue in the trade and environment universe. This Paper has highlighted the complexities of the issues involved and the dangers that such an exercise could be captured by those whose protectionist instincts are as strong if not stronger than their environmental concern. The questions raised pose serious doubt that multilateral

²⁶ It is also likely that, in negotiating the rules, a hard look at domestic environmental practices in the countries actively promoting this agenda would be required. This would also appeal to environmental interests.