

toward implementing the principles and toward obtaining international agreement to begin the negotiation of a Forest Convention.

C. GENERAL AGREEMENT ON TARIFFS AND TRADE

The General Agreement on Tariffs and Trade defines the rules that govern trade among its 103 members. A clear set of trade rules is of paramount importance for the future of countries with medium-sized economies such as Canada that depend on trade for a significant portion of their GDP. The multilaterally agreed rules within the GATT help to ensure that international trade relations are conducted on a basis of fairness and equality among nations, rather than on a basis of economic might. In the absence of such rules, Canada would be much less able to defend its interests against those of its most important, but much larger trading partners.

For the contracting parties to the GATT, the development of a better understanding of the relationship between trade and the environment is a priority objective. In recognition of this priority, both developed and developing countries are participating actively in a Working Group on Environmental Measures and International Trade. The agenda of the Working Group consists of three items:

1. Trade provisions in existing international environmental agreements vis-à-vis the provisions and principles of the GATT;
2. Multilateral transparency of national environmental regulations; and
3. Trade effects of packaging and labelling requirements aimed at protecting the environment.

The Working Group is proceeding with its work on each of the agenda items in three phases. The first phase will define all aspects of each issue. The second phase will determine which aspects of each item are adequately dealt with by the existing provisions of the GATT. During the third phase, the Working Group will consider whether the current provisions of the GATT should be clarified or modified. In December 1992, the Chairperson of the Group will submit a first report of its progress on each of the three agenda items to a meeting of the GATT contracting parties.

To date the Working Group has clarified examples of the types of actions that contracting parties may take while remaining fully consistent with their obligations under the GATT. As long as certain criteria are met, countries are generally free to take a broad range of measures to protect their domestic environments from the potentially negative effects of the domestic production or consumption of goods. The two basic criteria are "national treatment" and "most favoured nation."

National treatment requires that an imported good be treated no less favourably than a corresponding good that is produced domestically. Therefore, a country could prohibit the importation of a product for environmental reasons, provided that it also banned similar products produced domestically. The principle of most favoured nation (MFN) requires that imports from different countries be treated equally.