The third linkage between environmental concerns and competitiveness is the other side of the same coin presented above. Every risk to competitiveness is also an opportunity to those firms that are greening production – an opportunity to achieve win-win solutions which improve the environment *and* are good for market share. Where trade rules at the international level allow for discrimination on the basis of environmental performance, as in the potential case of green government procurement, for example, foreign suppliers who are participating in VNRIs stand to gain an edge. Similarly, participants in VNRIs might be accorded special treatment by foreign eco-labels, foreign regulators, or other foreign standard-setting bodies.

Canadian exporters will not be simply handed such opportunities, but will have to work for them. They will have to ensure that any new trade rules in the trade-environment nexus do not allow scope for unfair protection of purchasing country industries. And they may have to argue that their participation in VNRIs should be recognized as equivalent to environmental criteria being set in their export markets. But the possibilities for increased competitiveness through environmental VNRIs are real, and worth pursuing.

Issues Affecting Trade

For a number of reasons, including growing awareness and the fall of trade barriers, environmental and social issues have become part of many purchasing decisions, both domestically and internationally. The issues that affect trade range from environmental concerns such as product disposal to social issues like human rights. Human, plant and animal health issues are currently a serious concern with agricultural and wood product importers. However, influential protectionist interests, particularly in Europe, occasionally use popular public policy goals, such as environmental integrity, to help gain regulatory shelter from foreign competitors.

Environmental issues are moving up the supply chain as the front-line suppliers recognize that effective solutions require changes in materials and design. Reinforcing this development are consumers and institutional purchasers who want information on the entire life cycle impact of products (e.g. pulp and paper) and services.

Because societies are at different places on the continuum of environmental awareness, there are disputes about the severity of problems and about the value of proposed products and processes in addressing those problems. Facing serious environmental issues, yet wealthy enough to address them, Europe is setting tough policies and standards for the environmental performance of products and processes. Such standards present risks and opportunities to foreign suppliers. **While some companies are reacting defensively to trade-environment issues, others see the benefits of making environment an integral part of their strategy and are developing vastly superior products.**