

Canadian exports to identify those industries for which export activity is significant and which have significant environmental impacts. The cases were selected, not as being representative of their respective sectors, but for their value in illustrating the linkages between VNRI and trade competitiveness.

In the development of case studies, the project focused primarily on cases of individual companies, but also examined VNRI involving entire industries. The research drew upon material provided by the Business and the Environment Research Program of the Conference Board of Canada as well as other sources. Although there are a large number of exporting companies that have implemented VNRI, it was challenging to find candidate companies that had tracked the linkages between the VNRI and their international competitiveness. As well, many existing VNRI are too new to allow the formation of definite conclusions, and few were implemented with trade as a primary consideration.

Developments in Trade

Environmental concerns in foreign markets can impact on the competitiveness of firms exporting to those markets in three key ways. First, foreign governments may restrict imports on environmental grounds.¹ WTO permits such restrictions, but generally forbids restrictions based on how a product is produced. At present it is unclear to what extent WTO rules will allow governments to restrict imports in complying with environmental agreements like the Kyoto Protocol.

Restrictions based on product characteristics, such as packaging and labeling laws, are GATT-legal, and common. These can be prohibitively expensive for exporters if they vary greatly from jurisdiction to jurisdiction. **There has been an increasing trend in the use of restrictions based on sanitary and phytosanitary (SPS) concerns - issues of quarantine and public health - which may continue as traditional trade barriers are dismantled.**

The rules of trade and environment as laid down in various regional trade agreements, and in those under construction, are not much different than those found in the WTO. In a few select cases there is a unique approach, and it may be that agreement on new rules will be easier at the regional level. But beyond that, the regional agreements are not of much special interest.

The second way in which environmental concerns might affect competitiveness is through pressure to adopt voluntary trade measures - including eco-labels, certifications of good practice (such as ISO 14001), and through demands from purchasers - transmitting green concerns up the supply chain. Conforming with such measures is generally seen as a way to improve market share. **An area to watch here is the linking of government procurement - typically 10 to 15 per cent of a country's GDP - to the foreign supplier's participation in some voluntary scheme such as ISO 14001, or a purchasing-country eco-label.**