

The forest certification and eco-labels: a social progress or new non tariff barriers?

Violeta BAJENARU-DECLERCK
Academy of Wood Science and Technology, Nantes
Antlanpôle, BP 10605,
Rue Christian Pauc,
44306 Nantes Cedex 3, France
Tél. : +33.240.18.12.16, Fax : +33.240.18.12.12
Email : Violeta.Bajenaru@ecoledubois.fr

Abstract

The increasing demand for environment friendly products leads to the fast development of new forest eco-labels and forest certificates. They answer both to the new environment trend and are considered as new environmental policy instruments. Eco-labels were designed mainly to change the consumers' behaviour and the forest certification is to promote forest practices that are environmentally, socially and economically sustainable over the long term.

This paper discusses on the effects of these eco-labels programmes on developing countries market access. Existing evidence of positive environmental effects which could be attributed to eco-labels is limited to specific cases. According to a study conducted by the United Nations Economic and Social Commission for Asia and Pacific, more than 15 percent of exports to OECD countries are environmentally sensitive. The percentage is increasing in the case of the less developed countries such as Bangladesh or Pakistan. This paper aims at providing explication on the way that the multitude and the complexity of eco-labelling programmes could become a non tariff trade barrier. The situation becomes even more complicated in case of small companies due to the difficulties to comply with the required technology. Evidence has shown that eco-labelling schemes may discriminate between imported and domestically produced goods.

Keyword: forest certification, eco-label marketing tools, non-tariff trade barrier, market access,

Definition and basic characteristics of Eco-labels

Eco-labelling entered mainstream environmental policy starting with the '70, when the German government established the Blue Angel Programme.

At their creation eco-labels aimed directly at changing behaviour of consumers who are enabled to assess the impact of a product throughout its entire life-cycle.

Nowadays, eco-labels have been adopted in all OECD countries and we can count more than 40 eco-labelling programs worldwide. These programs can be divided into five different categories:

- Single issue
- Multiple issue
- Eco-rating schemes;
- Eco-profiling schemes;
- Social or ethical rating schemes.

Single issue labels provide details on questions such as chain of custody for wood fibre products such as FSC or PEFC.

Multiple issue labels look at the overall impacts of a products across it complete life cycle such as the Blue Angel.

For eco-rating schemes the products are tested and awarded a rating based on their environmental performance.

Eco-profiling schemes provide factual information in a standardised format.

Social or ethical rating schemes ensure that defined social or ethical standards are met with external third party assessment.

This paper discusses only on the single and multiple issue labels.

Significant national differences consist concerning the institutionalisation of the certification, the methodological approaches, etc. While in some countries the consumer protection agencies are in charge, in other countries this function is fulfilled by standardization institutions or even private institutions. Consequently such programs could be private such as Green Seal, public, or hybrid.

As an example, the German Blue Angel is jointly administered by three organisations: the Environmental Label Jury, the German Institute for Quality Assurance and Labelling and the Federal Environmental Protection Agency. The Environmental Label Jury which decides on the criteria for the different products consists of representatives of industry and commerce, environmental and consumer organisations, trade unions, churches and science.

The programmes administered by the governmental bodies could be mandatory such as labelling for vehicle emissions or voluntary such as organic food labelling for agricultural products in the United States, Japan and European Union. The most common eco-labels are those established by independent organizations.

Excepting the well known FSC and PEFC, forest certificates, we can find additional eco-labelling programs related to forest certification such as Rainforest Alliance's Smart Wood, Scientific Certification System's Green Cross, and the Institute of Sustainable Forestry's Pacific Certified Ecological Forest which have as objectives to promote good forest practices and sustainable timber production.

Eco-labels as marketing tool

Basically an eco-label was created mainly for communicating information, the final consumer being the only target. The main purpose of eco-labels is to educate and increase awareness of the environmental impacts of a product and bring environment protection by encouraging consumers to buy products with a lower environmental impact.

Little by little the companies understood that the eco-labels can offer a competitive advantage by meeting a certain client's demand for environmentally friendly products. Producers of environmentally superior products have an incentive to use environmental marketing techniques such as eco-labelling in order to differentiate their products. Firms may be motivated by gaining extra market shares by improving the public image.

In conclusion, the opportunities for using such instruments are the:

- A better image among the consumers;
- Risk reduction;
- A better market access and increase in market shares;
- Improved decision making and profitability.

Besides all these marketing effects, recent studies have shown that the speed of diffusion is much higher for eco-labels than for other policies such as environmental policy plans, sustainable development strategies and eco taxes.

Which impact on the foreign trade of developing countries?

Despite the benefits that the eco-labelling might have, there are several criticisms regarding the impact of these eco-labelling programs on the developing countries international trade. Eco-labelling has a cost and most companies cannot afford to pay for. As an example India reports that for a medium-sized firm, costs for implementation of the ISO 14000 could reach 30.000 USD.

Several researches have been carried out to study the implications of eco-labelling on market access, particularly from the developing countries perspectives. These studies reveal that the impact of the existing voluntary eco-labelling on the market access of

developing countries is not uniform. Quantitative data for reduction in market access or increase in costs are rather limited.

There is a dilemma facing national leaders: which is the price to pay by the environment concerning the trade liberalisation and how far one should go in order to protect the environment at the cost of trade? Evidence has shown that eco-labels may discriminate between imported and domestically produced goods if local industry influences the selection of the products on which the eco-label would apply

Recently calls for limiting or banning tropical timber imports from countries that are deemed to have unsustainable forest management have multiplied in OECD countries.

Within the WTO developing countries have highlighted the following discriminatory effects on eco-labelling on their international trade:

- A large number of OECD countries buyers are purchasing products only from the companies having ISO 14000 (5) series certification.
- South Asia countries such as Bangladesh, Pakistan, Vietnam and India are the most vulnerable to environmental products methods;
- Korea, Pakistan and Egypt noted that in some cases developing country exporters must bear 5 to 20 per cent of additional costs on exported products in the existence of an eco-labelling scheme in the importing country.
- The exports to the European Union (Germany particularly) are more environmentally sensitive (73% of imports from South Asia are sensitive).

It is estimated that between 1985 and 1991 (before that the eco-labelling become an European policy), imports from developing countries (majority of which are comprised of wood timber) increased by 43.7% while after 1991 imports began to decline from 96.3 billions USD to 91.8 billions USD (nevertheless we should note that some of the importing countries maintained high export taxes which partly explain this slowing down of international trade).

Among the reasons which could explain this situation we can mention:

- The multitude of certificates and labels such as the Blue Angel, the Green Seal, NF, Eco-logo prevent the introduction of the products coming from the developing countries;
- Life-cycled analysis based eco-labelling schemes reflects the environmental conditions on the domestic market and thus it creates market access difficulties.
- The lack of transparency and non-involvement of developing countries in design and operation of eco-labelling schemes;
- overseas suppliers operating under different set of environmental conditions find it difficult and costly to adjust their production system to meet the criteria required in the export markets.

-Eco-labelling programs may discriminate against foreign producers in conformity assessment procedures.

Under these circumstances, the eco-labels tend to be associated with technical barriers to trade. The technical barriers to trade are the standards and regulations imposed by governments and governmental authorities to restrict trade. This multitude of national regulations has led to the creation of the Agreement on Technical Barriers to Trade (TBT Agreement), under the WTO.

The TBT tries to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles. The basic question TBT agreement tries to answer is how to ensure that standards are genuinely useful and not arbitrary or an excuse for protectionism?

Manufacturers and exporters need to know what the latest standards are in their own markets. To help ensure a minimum of transparency, all WTO member governments are required to establish national enquiry points and to keep each other informed through the WTO. We can count around 900 new or changed regulations every year. The Technical Barriers to Trade Committee is the major clearing house for members to share the information and the major forum to discuss concerns about the regulations and their implementation

Excepting eco-labelling as a technical barrier to trade, another negative effect is the deforestation. As the value of timber from unsustainable-managed forests in producer countries is reduced, the value of the forest decreases, making alternative uses of the forest, such as agriculture, more profitable (situation encountered mostly in African countries).

Which solutions?

Facing this situation, which are the solutions that can answer both ecological worries and encourage the international trade of developing countries?

Several solutions are envisaged by specialists and each of them has certain limits.

Labels harmonization and mutual recognition

The harmonization of eco-labels is the most commonly stated goal of organisations such as the International Standardization Organization (ISO) and the OECD.

The mutual program recognition could be an alternative solution which allows the cost reduction of the companies to comply with the labelling criteria. This mutual recognition is encouraged by the Global Eco-labelling Network (this non governmental institution was created in 1994 and its mission is to promote the development of eco-labelling programs).

Global eco-labelling represents the most serious initiative to harmonize the national eco-labels and it consists of representatives of the national eco-labelling boards, irrespective of whether the board in question is institutionalized within the environment ministry, the environment agency, or the national standardization organization. GEN is providing a current inventory of its members existing standards and also facilitates the sharing of research results.

Mutual recognition accelerates the positive effect since potential entrants to the market of labelled products increase and reduces the negative effect in terms of international aspect. Nevertheless we should stress that mutual recognition is attained more easily when the exporting countries' environment criteria are similar to the importing countries' program requirements.

The use of ISO 14048

This technical specification provides the requirements and a structure for a data documentation format, to be used for transparent and unambiguous documentation and exchange of Life Cycle Assessment (LCA) and Life Cycle Inventory (LCI) data, thus permitting consistent documentation of data, reporting of data collection, data calculation and data quality, by specifying and structuring relevant information.

The international accreditation of labelling agencies

The creation of national policy of ecological labelling must be based on recognized standards, so that the awarding of an eco-label can be based on objective criteria.

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International Organisation for Standardisation

http://www.iso.org/iso/catalogue_detail?csnumber=29872 (consulted on September the 7th 2008)

Forest Stewardship Council (FSC), Chain of Custody: www.fsc.org

Programme for Endorsement of Forest Certification (PEFC): www.pefc.org