

LABELLING FOR ENVIRONMENT PURPOSES¹

Submission by Switzerland

I. WHY THE ISSUE OF "ECO-LABELLING" IS OF IMPORTANCE

1. At the Ministerial Conference in Doha, the Committee on Trade and Environment (CTE) has been instructed, in pursuing work on all items on its agenda within its current terms of reference², to give particular attention to labelling requirements for environmental purposes. It has also been recorded in the Doha Declaration that work on this issue should include the identification of any need to clarify relevant WTO rules.

2. Furthermore, the Committee has been assigned to report to the Fifth Session of the Ministerial Conference, and make recommendations, where appropriate, with respect to future action, including the desirability of negotiations.

3. Ministers have also agreed that the outcome of this work shall be compatible with the open and non-discriminatory nature of the multilateral trading system, shall not add to or diminish the rights and obligations of Members under existing WTO agreements, in particular the Agreement on the Application of Sanitary and Phytosanitary Measures, nor alter the balance of these rights and obligations, and will take into account the needs of developing and least-developed countries.

4. Although the subject has been a standing issue on the agenda of the Committee and thus many contributions have been made, work in the CTE on labelling for environmental purposes has not yet been approached in a systematic manner. Often the argument, that questions related to labelling should be addressed by the TBT Committee, has inhibited initiation of substantial work within the CTE.

5. The Doha Declaration, however, clearly assigns the task of progressing work on environmental labelling to the CTE. While close collaboration with the TBT Committee in certain areas should be sought, the CTE for its own part should commence discussions on environmental labelling without delay.

¹ This paper was previously issued as Job(02)140, dated 4 October 2002.

² Within their Decision on Trade and Environment, which has been adopted at the meeting of the Uruguay Round Trade Negotiations Committee in Marrakesh on 14 April 1994 ministers have directed the first meeting of the General Council to establish the Committee on trade and environment that, within its terms of reference, and with the aim of making international trade and environmental policies mutually supportive, the Committee will initially address matters, in relation to which any relevant issue may be raised. One of these issues is the relationship between the provisions of the multilateral trading system and requirements for environmental purposes relating to products, including standards and technical regulations, packaging, labelling and recycling. Since its establishment the CTE has been discussing the issue of "eco-labelling" under Item 3 of its work programme.

6. Indeed, the importance of "eco-labelling" on the national as well as on the international level is increasing. In many countries consumer's concerns with the state of the environment is on the rise. In parallel to this concern, awareness of the relationship between consumption patterns and sustainable or unsustainable production is growing. Thus, consumers intending to actively contribute to sustainable production through their individual consumption demand information about the environmental impact of the product they purchase, allowing them to make an informed choice.

7. It increasingly appears that consumers in most industrialised societies are willing to pay higher prices for products that are more environmentally friendly than others, especially if other factors like quality are more or less the same. The difficulty they face, however, is being in a position to make reliably informed choices due to lack of comprehensive information. In this context, "eco-labels" are a potentially attractive way of simultaneously informing consumers about the environmental impact of their purchasing decisions and providing producers with a means of achieving a market place preference and possibly a price premium as a result of making verifiable improvements in sustainable production techniques.

8. As such, "eco-labels" represent a sound alternative to other policy instruments (such as setting of mandatory product or production/processing requirements/standards). In this spirit, governments as well as private stakeholders are developing or have already developed policies, including "eco-labelling" schemes, which promote sustainable consumption patterns.

9. Predominantly, "eco-labelling" schemes set criteria so that only a small percentage of products in a product category can obtain the "eco-label". The label is thus awarded to the most environmental friendly products within its category only. In practice, "eco-labelled" products which are successful (e.g. environmental friendly recycling paper) often cover a large part of the market share within a product category. "Eco-labels" then no longer selectively identify a sub-set of products which are environmentally preferable to other products in the same product category, but tend to become a de facto product standard. If the product concerned is highly traded, the "eco-label" may constitute a barrier to competing in the market place as regards foreign products which do not conform to the "eco-label" criteria. The same may apply when retailers wish to carry a majority of "eco-labelled" products. This situation is of special significance, if the product category concerned is of specific interest to developing country exports.

10. A study carried out by the OECD in 1997 on the impact of "eco-labelling" schemes to trade³ has, however, revealed that the information gathered during the course of the study did not show hard evidence of changes in trade flows arising from the selected "eco-labelling" programmes. Nevertheless, fears and concerns have been voiced as to potential effects.

11. Given the fact that various existing "eco-labelling" schemes are based on a life cycle assessment (LCA), which also includes process and production criteria, an international proliferation of labelling schemes may inhibit the same product from obtaining the "eco-label" in different countries. This restriction to the national level is partly due to the non-homogeneity of environmental concerns and the public role in "eco-labelling" schemes. It follows that primarily the resulting divergences between different schemes are leading to trade tensions. In order to address these concerns, attention could be drawn to instruments, such as harmonization, equivalence and mutual recognition.

³ OCDE/GD/(97)105 Eco-labelling: Actual effects of selected programmes.

II. WHAT SHOULD BE UNDERTAKEN BY THE COMMITTEE ON TRADE AND ENVIRONMENT

12. The task given to the Committee on Trade and Environment by way of the Doha Declaration is to pursue its work with particular attention to the issue of environmental labelling, to report to the next ministerial meeting on the progress and to make, as appropriate, recommendations on the necessary action to be taken. In order to arrive at a comprehensive report for the next ministerial meeting, Switzerland suggests that the Committee approaches discussions in a structured way and examines the following aspects with regard to environmental labelling:

- (a) definition of "eco-labelling";
- (b) identification and analysis of specific trade issues related to environmental labelling schemes;
- (c) conclusions and decision on the necessary action to be taken.

A. DEFINITION OF "ECO-LABELLING"

13. For the purpose of identification and analysis of specific trade effects caused by "eco-labelling" schemes it is important to first of all focus on the definition. In its note WT/CTE/W/79, dating from 1998, the Secretariat has offered a definition drawn from UNEP: "Environmental labelling: The use of labels in order to inform consumers that a labelled product is more environmentally friendly relative to other products in the same category".

14. This definition, determined by the objective underlying environmental labelling schemes has been confirmed by the Communication from the International Standardisation Organisation (ISO)⁴, which states: "The overall goal of environmental labels and declarations can be stated as follows: through communication of verifiable and accurate information – that is not misleading – on environmental aspects of products and services, to encourage the demand for and supply of those products and services that have a less negative impact on the environment, thereby stimulating the potential for market-driven continuous environmental improvement."

ISO has furthermore classified three types of labelling schemes:

ISO 14024:1999 Type I environmental labelling -- Principles and procedures

ISO 14021:1999 Self-declared environmental claims (Type II environmental labelling)

ISO/TR 14025:2000 Type III environmental declarations

(ISO 14020:2000 Environmental labels and declarations -- General principles)

15. Switzerland is of the view, that through a common understanding on the qualifying elements of "eco-labelling" schemes when referring to such schemes within WTO discussions could be facilitated significantly. In this context it would be of utmost interest whether the term "eco-labelling" is limited to labelling schemes which are voluntary in nature or whether mandatory environmental labelling schemes are also included in the "eco-labelling" notion.

⁴ WT/CTE/W/114

16. Notwithstanding any conclusion on the definition, it must be noted that the Doha mandate relates to *labelling requirements for environmental purposes*. It is, therefore, Switzerland's view, that subsequent discussions within the CTE may not be limited to voluntary "eco-labelling" schemes but should also include mandatory labelling schemes.

B. IDENTIFICATION AND ANALYSIS OF SPECIFIC TRADE ISSUES IN RELATION TO ENVIRONMENTAL LABELLING SCHEMES

17. In its note, dated 29 June 2000⁵, the Secretariat has provided the Committee with an overview of the most important environmental labels as well as with a compilation of notifications relating to environmental labelling schemes which have been submitted in the framework of the TBT transparency provisions. This overview illustrates the proliferation of existing labelling schemes for environmental purposes.

18. Labelling issues have also been subject to numerous discussions within the formal sessions of the TBT Committee under the agenda item on implementation and administration of the Agreement. Switzerland is of the opinion that a compilation of the environmental labelling issues, which have formally been raised within the TBT Committee, could provide some indication on the nature of the trade issues involved. Such compilation could be added to by contributions of Members who are willing to share specific experiences in this matter.

19. In this context, Switzerland believes it to be most interesting and beneficial, if contributions by Members not only focus on specific trade problems relating to environmental labelling, but also provide examples of specific initiatives for trade facilitation and/or promotion with respect to environmental friendly products (e.g. co-operation programmes for organically produced cotton) that are subject to a environmental labelling scheme.

C. CONCLUSIONS AND DECISION ON THE NECESSARY ACTION TO BE TAKEN

20. The analysis of the specific trade issues with regard to environmental labelling schemes should involve an assessment of the relevant WTO rules. Based on the conclusions of this process the Committee should make any recommendations whether further action should be undertaken, as requested by the Doha mandate. Hence, future work should, as necessary, address any incoherencies or open questions that have been identified in the analytical process and could also cover issues related to implementation of the relevant provisions (non-discrimination, transparency, equivalence etc.).

III. NEXT STEPS / WAY FORWARD

21. In the interest of fulfilling the Committee's assignment drawn from the Doha declaration Switzerland suggests that the CTE initiates work on the core issues related to environmental labelling without further delay. Future work should be conducted in a structured manner and involve, as necessary and appropriate, TBT experts. Furthermore, the work should take into account work undertaken by other WTO fora on labelling. With respect to the items to be addressed in the framework of CTE discussions, Switzerland proposes to examine the aspects outlined above (see paragraph 12).

⁵ WT/CTE/W/150

22. To this end, the Committee may wish to ask the Secretariat for an update of its previous papers, that is WT/CTE/W/150⁶ and WT/CTE/W/79⁷. Additionally, a compilation⁸ of the specific trade issues relating to environmental labelling which have been raised under the agenda item "administration and implementation of the TBT Agreement" could be mandated to the Secretariat. Any supplementary contributions (e.g. examples on specific trade issues and on individual trade facilitating initiatives) from member countries could be sought as these are illustrative for future discussions.

⁶ The update should cover the section comprising the overview on the most important environmental labelling schemes and the section on TBT notifications relating to environmental labelling.

⁷ The update should provide an overview on the definition of "eco-labelling".

⁸ This compilation could be drawn from the minutes of the TBT Committee (Statements on Implementation and Administration of the Agreement).