

LABELLING FOR ENVIRONMENTAL PURPOSES

Submission by the European Communities under Paragraph 32(iii)

I. INTRODUCTION

1. Paragraph 32 (iii) of the Doha Ministerial Declaration mandates the WTO Committee on Trade and Environment (CTE) “*in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to labelling for environmental purposes*” and “*report to the Fifth Session of the WTO Ministerial Conference, and make recommendations, where appropriate, with respect to future action, including the desirability of negotiations.*”¹

2. This paper builds on the previous discussion in the CTE, the outcome of the World Summit on Sustainable Development (WSSD), the existing international standard for environmental labelling schemes developed by the International Organization for Standardization (ISO) and the recent submission on labelling by the EC to the Committee for Technical Barriers to Trade (TBT) and the Committee for Trade and Environment (CTE).²

3. The use of various types of environmental labelling schemes to promote environmental objectives has increased considerably in recent years and the use of such schemes is no longer confined solely to developed countries as developing countries have started to design such schemes themselves.

4. Examples of developing countries that have developed voluntary eco-labelling schemes based on life-cycle approach and are members of the Global Eco-labelling Network (GEN, for further details and full list of members, see the attached Annex I) are Korea, China, India, Brazil, Thailand, Indonesia and Malaysia. Moreover, Colombia and Sri Lanka are in the process of establishing their own eco-labelling schemes. Furthermore, GEN has recently received inquiries on how to set up an Eco-label scheme from Cuba, Malawi, Tunisia, Chile, Jamaica, Georgia, Nicaragua and Jordan.

5. This trend inevitably has consequences for international trade and it is important to ensure that such schemes are prepared, adopted and applied in a transparent way that promotes the mutual supportiveness of trade, environment and development objectives.

6. The Doha mandate covers different types of environmental labelling. This first EC contribution to the debate focuses on governmental and non-governmental voluntary eco-labelling schemes based on a life-cycle approach. It is clear that the discussion on voluntary eco-labelling schemes shall not prejudice following discussions on other types of eco-labelling schemes, including mandatory environmental labels, or in any way change the rights and obligations of WTO Members on labelling in general.

¹ WT/MIN(01)/DEC/1. Ministerial Declaration. November 2001

² G/TBT/W/175 and WT/CTE/W/212. Labelling; Submission by the EC. June 2002

7. There are several reasons for this:

- (a) Such schemes are market-based and generally represent the most trade-friendly means to achieve environmental objectives.
- (b) Such schemes have been the subject of long standing discussion in the CTE since 1995 and there has already been substantial work on the subject.
- (c) The 1999 ISO standard 14024 has created an internationally agreed criteria for such schemes.
- (d) The recent WSSD has given strong support to the use of market based mechanisms in promoting sustainable development.

8. In view of the above, it should be possible at least in this sub-part of the DDA Mandate for the CTE discussion to make progress by the 5th WTO Ministerial in Cancun next September.

9. The discussion in the CTE should result in a higher degree of certainty for both those using voluntary eco-labelling schemes and those seeking to ensure that such schemes do not create unnecessary barriers to trade, but on the contrary operate as vehicles for enhanced market access by even small producers in developing countries.

10. The discussion should fully take into account developing country concerns and should identify means to help developing countries to reap the benefits from using such labels in their export markets, to help them participate in relevant international work as well as to help them prepare and apply, as appropriate, such schemes.

11. The discussion should also take into account the varied nature of the operators of voluntary eco-labelling schemes. Such schemes are not only run by governmental bodies or large NGOs but also by small organisations with limited capacity and very local reach. The small-scale of such organisations as well as their private and non-profit character needs to be understood and respected.

II. BACKGROUND

12. Labelling for environmental purposes has been an important element of the CTE work. The conclusions and recommendations of the CTE to the 1996 Singapore Ministerial Conference, stated that *"Well-designed eco-labelling schemes/programmes can be effective instruments of environmental policy to encourage the development of an environmentally conscious public."*³

13. In the recent World Summit on Sustainable Development (WSSD) WTO members, along with other UN members, debated and recognised the importance of consumer information related to sustainable consumption. The Summit concluded in paragraph 14(e) of the Implementation Plan that countries should take action to *"Develop and adopt, where appropriate, on a voluntary basis, effective, transparent, verifiable, non-misleading and non-discriminatory consumer information tools to provide information relating to sustainable production and consumption, including human health and safety aspects. These tools should not be used as disguised trade barriers."*⁴

13 bis. At the WSSD, WTO members – again, in their role as UN members - also called for all to support voluntary market-based initiatives for the creation and expansion of markets for environmentally friendly goods and services, including organic products, and related technical assistance. It is clear to the European Communities that the WTO can contribute to this objective by

³ WT/CTE/1. Report (1996) of the Committee on Trade and Environment. November 1996

⁴ WSSD. Report of the WSSD. September 2002

its work under paragraph 32 (iii). It is also clear that DDA work on TRTA is relevant to this WSSD conclusion. It is logical that WTO members should continue to support in the WTO what they have called for at the WSSD.

14. The International Organization for Standardization (ISO) has developed standards for environmental labelling in the ISO 14020 series. These standards contain guiding principles for the development and use of certain types of environmental labels.

15. Labelling in general has been discussed in the WTO Committee for Technical Barriers to Trade (TBT). The second triennial review of the TBT Agreement concluded *“that concerns regarding labelling were raised frequently in the Committee meetings during discussion on the implementation and operation of the Agreement. In this regard, the Committee reiterated the importance of any such requirements being consistent with the disciplines of the Agreement, and in particular stressed that they should not become disguised restrictions on trade.”*⁵

16. Debate in the TBT Committee is on-going and the Community has supported the organisation of an informal TBT Committee workshop on labelling that would be open to participants in other WTO Committees, in particular, the Committee on Trade and Environment.

III. LABELLING FOR ENVIRONMENTAL PURPOSES

17. Several types of labelling for environmental purposes can be identified. Each labelling type has different structures of preparation, adoption and application and are being used in both developed and developing country WTO members.

18. Environmental-labelling schemes can be classified according to their legal status (mandatory *versus* voluntary), according to the rule-setting body (governmental *versus* non-governmental), according to the review mechanisms for criteria (static *versus* evolutionary), according to the geographic scope (national *versus* international) and finally according to whether they use or not criteria based on non-product related process and production methods (product related PPMs *versus* non-product related PPMs).

19. This paper emphasises that the above mentioned categories have very different degrees of impact on international trade. Thus, for the discussion in the CTE, it is important to recognise these differences, even though the discussion would initially concentrate on governmental and non-governmental voluntary eco-labelling schemes based on a life cycle approach, which can provide an effective way to meet environmental objectives and as such would lessen the need to resort to other less trade-friendly means to achieve such objectives.

20. However, in some cases the use of any type of environmental labelling schemes cannot replace regulatory measures to achieve legitimate environmental objectives.

IV. ISO STANDARDS ON ENVIRONMENTAL LABELLING

21. The International Organization for Standardization (ISO) has developed standards for certain types of environmental labelling in the ISO 14020 series. These standards contain guiding principles for their development and use.

22. The standards in the ISO 14020 series cover voluntary eco-labelling schemes based on life-cycle analysis, self-declared environmental claims and qualified product information profiles.

⁵ G/TBT/9. Second Triennial Review of the Operation and Implementation of the Agreement on Technical Barriers to Trade. Committee on Technical Barriers to Trade. November 2000

23. Standard 14024 in the ISO series, which covers voluntary eco-labelling schemes based on the life-cycle approach, is relevant for the purposes of this paper. Voluntary eco-labelling schemes covered by this standard are based on pre-set criteria developed by third parties, following extensive consultation, to evaluate products environmental effects through its life-cycle. Examples of these are the Nordic *Swan* and the EU's *Flower* labels.

V. DEVELOPING COUNTRY NEEDS: MARKET ACCESS AND TECHNICAL ASSISTANCE

24. By definition, voluntary eco-labelling schemes based on a life cycle approach do not deny market access to a product. However, where such schemes exist, those products that use such schemes can have important commercial advantages. For developing countries, effective participation in related international work, particularly in the ISO work, and ability to translate that into their own labelling schemes is a challenge. The ability to qualify for such labels is also a challenge. This is not only the case for trade between developed and developing countries but increasingly between developing countries as well.

25. Properly designed and transparent eco-labelling schemes can facilitate market access for developing countries. For instance, the EU eco-label has favoured the access to European niche markets of a number of non-EU companies. Indeed, the EU eco-label was awarded to several non-EU companies, including companies from Developing Countries (China, Korea, South Africa, Hong Kong/China, Ivory Coast). The instrument used by the EC to facilitate applications from companies located in DCs is a special and reduced fee.

26. In trying to ensure that developing countries can reap a share of the potential benefits from trade in products with such labels, WTO members should further consider technical assistance needs to help developing countries to develop their own schemes and/or comply with eco-labelling schemes in export markets. It should be noted that any technical assistance needs to be demand driven and must be based on clearly identified needs. In order to promote coherence and convergence, such assistance should be designed and carried out in co-ordination with relevant international governmental and non-governmental organisations such as GEN, ISO, UNCTAD, UNEP, WTO TRTA, Capacity-Building Task Force on Trade, Environment and Development etc.

27. The EC is already supporting Sustainable Trade Innovation Centers (STIC). This new global partnership, presented at WSSD as a Type 2 initiative, is designed to help developing country producers integrate environmental factors into their export strategy. Because the main drivers of this pressure to integrate environmental factors are business requirements from international buyers and growing consumer demand, STIC will put emphasis on facilitating the dialogue on voluntary codes between developing country producers and developed countries. Two initiatives will start soon: one on textiles and another one on electronics eco-design.

VI. PROPOSED APPROACH

28. Based on the above, the EC believes that the CTE debate could focus usefully on the following possible principles:

- (a) The use of voluntary eco-labelling schemes based on a life-cycle approach contributes to achieving environmental objectives in line with the outcome of the WSSD.
- (b) The use of such schemes should provide an opportunity for developing countries to enter markets where environmental considerations are important and the WTO should take steps to facilitate this, in line with the outcome of the WSSD.

- (c) The use of *voluntary eco-labelling schemes based on a life-cycle approach* is legitimate within the rights and obligations of the WTO Agreements. The use of relevant international standards when preparing, adopting and applying such schemes further ensures that such schemes do not become unnecessary barriers to international trade.
- (d) Further positive support is needed to enable developing country governments, producer organisations and other relevant stakeholders to have the fullest possible access to the definition and operation of such schemes. WTO members should examine the possibility of notification or other appropriate means of consultation and publicity for existing and new schemes.
- (e) Those using such schemes should to the extent possible be encouraged to reflect the principles of the TBT Code of Good Practice, including its objective of transparency, in their operations, and to keep their schemes under review.

29. To help developing countries apply and use such schemes and reap the benefits associated with the markets for such products, the WTO members should:

- (a) Agree to identify any related technical assistance needs in relation to compliance with such schemes in export markets, participation in relevant international work, particularly in the ISO work, as well as in the preparation and application of developing countries' own schemes and in doing so take into account and not duplicate any existing work in this field.
- (b) Encourage all concerned actors to consider reduced fees for DCs to acquire such labels where possible and consider funding in whole or in part the early years of smaller exporters use of such schemes and thus favour their entrance to niche markets in developed countries.
- (c) Agree to support STICs in facilitating dialogue on voluntary codes between developing country producers and developed countries.
- (d) Agree to consider various tools to support co-operation between different schemes.

30. Based on discussion, the CTE should consider the means by which the CTE recommendations and the 5th Ministerial would advance these issues.

ANNEX I**ECOLABELLING PROGRAMS THAT ARE MEMBERS OF GEN**

Country / Jurisdiction	Year of Launch
Germany	1978
Canada	1988
Japan	1989
Nordic Countries	1989
- Sweden, Norway, Iceland, Finland, & Denmark (as of 2000)	
USA	1989
New Zealand	1990
Sweden - Good Environmental Choice	1990
Austria	1991
India	1991
European Commission	1992
France	1992
Korea	1992
Netherlands	1992
Singapore	1992
Sweden - TCO Development	1992
Taiwan / ROC	1992
Brazil	1993
Croatia	1993
Israel	1993
Thailand	1993
China (PRC)	1994
Czech Republic	1994
Hungary	1994
Indonesia	1995
Malaysia	1996
Hong Kong	2000
Australia	2001

NOTES: This annex lists members of GEN and is not an exhaustive list of eco-labelling programs. Other programs may exist and/or may be formulated / in formulation at this time. Please note that the United Kingdom, Spain, Greece and Luxembourg are also members of GEN.
