STANDARDS AND SUSTAINABLE TRADE

A SECTORAL ANALYSIS FOR THE PROPOSED
SUSTAINABLE TRADE AND INNOVATION CENTRE (STIC)

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In the search for alternative markets in face of globalisation, the export of environmentally friendly and socially preferred goods and services from the South is increasingly sold as a developmental 'win-win-win', providing trade opportunities which can simultaneously alleviate poverty and protect the environment.

The challenge is to connect the rhetoric of sustainable trade with reality, bridging the gaps between emerging practices such as sustainable forestry, organic agriculture, and eco-tourism with markets for small- and mid-sized producers and entrepreneurs, who are the intended beneficiaries. The needs of sustainability and the needs of a liberalised trading system are very different. Within the development debate, advocacy and research on competitiveness, trade and business development on one hand and on poverty alleviation on the other, often take place in separate camps. In both cases, "the separate groups are like two adventurers following roughly parallel paths that do not cross" (Reardon and Barrett, 2000). Opportunities for complementarities are therefore missed.

Standards for environmentally and socially preferred products are at the forefront of the struggle to find those complementarities, and operationalise sustainable development. Standards for sustainable development are used to drive a 'race to the top' rather than a 'race to the bottom' in which countries try to lure investment or exploit export opportunities by lowering or not enforcing environmental or social standards.

Within a market economy, *voluntary* standards are considered to be more efficient, more flexible and less discriminatory than state-imposed taxes and quotas in meaningfully integrating social and environmental concerns within economic growth.

Voluntary standards and associated codes and certification schemes are emblematic of globalisation, linked as they are with the growth of international supply chains, a reduced role for state organisations and recasting of regulatory systems. Voluntary self-regulation has become an important feature of the global economy (Jenkins, 2001). This is occurring under the radar of international trade policy. While public trade policy gets bogged down in arguments over the trade impacts of *non-product process and production methods*, 'voluntary' standards, codes and benchmarks are proliferating, often as part of Corporate Social Responsibility (CSR) or risk management initiatives. Realising that voluntary standards can have the same impacts on market access and government-led regulation, public policy and multilateral agreements are struggling to keep up, in a highly politicised atmosphere. There is now a tremendous amount of interest in standards and market access issues among civil society, industry, government and multilateral institutions. The subject has moved from an arcane to a 'hot' topic, spurred by the new WTO Doha Round which is committed to trade liberalisation based on sustainable development.[1]

There is growing criticism that the proliferation of standards represents new dangers for the South, working *against* the interests of sustainable and equitable development. At the state level, there are concerns that environmental and social issues are being used to serve protectionist ends, allowing domestic firms to protect their dominant market positions, and gain strategic trade advantages over foreign competitors (so-called "green protectionism"). Especially in agricultural trade, the proliferation of standards has the potential to erode the

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[1] The declaration adopted in Doha mainstreams development considerations. The globalisation of trade and reduction of trade barriers must take into account environmental issues and the development needs of the world's poorer countries. The Doha development agenda rests on three pillars—tackling issues of *market access*, *domestic support* programmes and *export subsidies*.

gains made through removal of traditional barriers (Wilson, 2001). But even voluntary standards and certification are criticised for imposing inappropriate Northern standards and expectations on the South (so-called "ecological imperialism or "biocolonialism"), and are raising the costs of market access out of reach of small- and mid-scale producers, service providers and industries, thus erecting *de-facto* technical barriers to trade.

While the exclusionary effects of standards can be overstated (standards can increase access by developing countries, or they can bar entry)[2], they are usually an *imposition*—small producers and firms are invariably 'standards takers' (Reardon and Barrett, 2000). Developing countries have tended to be excluded from the standard setting process.

A scoping study[3] to assess the viability of a 'Sustainable Trade Centre' pointed to a "profound absence of trust that lies at the root of the tensions surrounding trade and sustainable development." The authors conclude that trade and sustainable development measures such as standards require *transparency* and *equity* in their establishment if they are to result in lasting value and *capacity for future innovation* for developing countries.

Concerns about trade impacts of government regulations for sustainable development is spilling over into voluntary and private sector standards, creating a general lack of trust and an urgent need to tackle equity issues in the development of standards, be they mandatory government regulations, voluntary measures, or a hybrid of the two.

Objectives and scope of this study

This report sets out to unpack the issues around *standards for sustainability* and *market access*, using case studies from food, forestry and tourism as examples. Within the plethora of grades and standards we focus on *voluntary* environmental and social *process* standards, certification systems and codes, usually developed by the private sector, sometimes in partnership with government. We conclude with a set of recommendations for the establishment of a Sustainable Trade and Innovation Centre.

The study will *not* focus on Sanitary and Phytosanitary standards (standards used to protect the health of consumers and products of agriculture from contamination by foreign-introduced compounds or pests). But we acknowledge that there are still gaping needs to build capacity among policy makers, trade diplomats, farmer representatives, business organisations etc. in responding to SPS issues, in order for market access initiatives such as the EU's Everything But Arms (EBA) initiative to fulfil their expectations. This has been shown by the costly experiences of African and South Asian countries with EU SPS standards for fish, shrimp, cereals, dried fruit and nuts.[4]

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[2] Governments in the South often—in response to concerns of powerful domestic lobbies and concerns about sovereignty—are very critical of new environmental and social standards, especially those standards driven by the private sector in the North. But individual industries and exporters in the South may see standards as opportunities to penetrate and develop new markets. This was clearly evident in the case of the ecolabels for cut flowers established by NGOs in Germany, where opposition by the Colombian trade federation was outflanked by innovative flower producers who saw the label as an export opportunity.

[3] *International Trade for Sustainable Development: Transparency, Equity and Innovation.* Results of a scoping study for a Sustainable Trade Centre. IIED, CSE and EPE, June 2001. Available at http://www.epe.be/stf/index.html

[4] See the CUTS Centre for International Trade, Economics and Environment (CITEE) library of SPS case studies at http://cuts.org and www.eurostep.org/ebarep.htm

What is sustainable trade?

Sustainable trade takes place when the international exchange of goods and services yields positive social, economic and environmental benefits, reflecting the four core criteria of sustainable development:
1. It generates economic value
2. It reduces poverty and inequality
3. It regenerates the environmental resource base; and
4. It is carried out within an open and accountable system of governance.[5]

Back in 1995, Constanza et al. proposed two complementary routes to create a sustainable trading system: (1) include environmental and social safeguards in international trade agreements, or (2) incorporate social and environmental costs directly into trading operations. Standards are a means by which both approaches can begin to be implemented at the global level.

The proposed Sustainable Trade and Innovation Centre (STIC)

The concept of a Centre for facilitating exports of sustainable goods and services from developing countries emerged from a three-year collaborative research initiative led by the International Institute for Environment and Development (IIED) which involved partners from Bangladesh, Ghana, India, South Africa and the UK.

The research concluded that practical mechanisms are urgently required to bring real value to developing country producers from the integration of trade, environment and development factors. Following positive signals from a number of quarters to an initial concept note for a 'sustainable trade centre', IIED and the Commonwealth Science Council reviewed the need, viability and possible next steps for such an initiative. A scoping study was undertaken and presented to the Second European Rio+10 Conference facilitated by the European Partners for the Environment (EPE) in Brussels on May 11, 2001.

The scoping study concluded that the need for a Centre clearly exists, and that it should combine the following functions:

- To inform, raise awareness and create the demand for sustainable goods and services in export markets with a view to challenging existing misconceptions and building trust;
- To facilitate the harmonisation and mutual recognition of multiple standards, and the co-evolution of new standards and regulations, acting as a clearing house for the voices of developing country producers on the one hand and retailers/buyers on the other; and
- To strengthen capacities in developing countries for innovation in the design, management and implementation of positive environmental, labour and ethical initiatives.

Why are standards used?

Producers, processors and retailers of goods and services look to standards for the following reasons:
- To close the gap between distant producers and consumers—to communicate product quality and safety to consumers or intermediate purchasers, and facilitate comparisons by consumers across products with common essential characteristics

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[5] Robins and Roberts (2000)

- To protect producers against fraudulent claims
- To achieve greater inter-firm efficiency—coordination benefits such as reduced cross-border distribution costs, harmonised requirements, and economies of scale in production
- To avoid risk—demonstrating good corporate practice to shareholders and activists
- To differentiate products—'decommodification' and branding of products in otherwise highly competitive undifferentiated commodity markets
- To raise barriers to entry for competitors
- To reduce costs to processors or retailers while maintaining or improving quality

Whether standards relating to sustainable development—around environmental, labour or ethical issues—are adopted by a firm depends on prevailing commercial pressures and corporate leadership, as follows (Cabinet Office, 2000):
- *Desire to enhance or sustain competitiveness* through selling ethical or 'green' products (sustainability as embedded quality), or recruiting and retaining high-quality staff
- *Risk to company brand or reputation* (and hence shareholder value) as a result of consumer pressure or NGO campaigns
- *Pressure from investors, lenders and insurers*
- *Support from enlightened corporate leadership*
- *Threat of regulatory action or emerging legislation*

While trade associations may bemoan increased regulation, large companies may quietly welcome measures which add a few bricks to the wall around the business which block new entrants to their markets. This logic applies to standards for 'sustainability' as much as to quality and safety. Voluntary self-regulation by individual companies or business associations is often initiated in the hope or expectation that best practice will become legislated conditions of market entry. Standards developed and implemented nominally in the name of 'sustainability' but rationalised within corporate strategy—as means to avoid risk, to build barriers to competitors, or to survive in an era of increased competition and trade liberalisation—are perceived to be less benign (subject to accusations of "greenwashing") than standards arising from a core commitment to sustainable development. But outcomes for the environment, labour or producers depend not so much on the commercial rationale for adopting a standard, than on the sharing of costs and benefits of those standards along a supply chain over time.

An appreciation of the political economy of supply chains, especially when they are governed by powerful retailers or brand name manufacturers, is key to understanding the politics of standard setting and the relative impact of the standards along those chains—who are the standards makers and who are the standards 'takers' (Dolan et al., 1999; Thompson et al., 2001). Process standards and certification require some form of *traceability* along a *chain of custody* to track the 'sustainable' product from the site of production through to the consumer. The resulting *vertical coordination*, manifest in contract production and the rise of contractual exchange in place of spot markets (Reardon and Barrett, 2000) clearly shifts the balance of power downstream in the chain.

The standards lexicon

Standards consist of a "collection of technical specifications, terms, definitions and principles of classification and labelling. They include rules of measurement established by regulation or authority (*standards*) and a system of classifications based on quantifiable attributes (*grades*)" (Farina and Reardon, 2000). The scope of standards can be *national* or *international*, and may be segregated by *sector*, eg textiles, bananas. They can be *private* and *voluntary* or *mandatory.*

Types of standards include:

1. **Quality** (eg appearance, cleanliness, taste, facilities)
2. **Safety** (eg pesticide or artificial hormone residue, microbial presence, use of safety features in hotels)
3. **Authenticity** (guarantee of geographic origin or use of traditional process)
4. **"Goodness" of the production process** (eg worker health and safety, or environmental contamination; resource conservation, ethical trade)

These four types of standards can be divided into *outcome* (product) standards and *process* standards. *Outcome* standards are the characteristics the *product* is expected to have when it reaches a certain point in the supply chain. *Process* standards (the so-called non-product process and production method or PPMs[6]) standards concern the characteristics of the process in the chain, from production of the raw product to processing into intermediate or final goods, distribution and disposal. This distinction is key, as product and process standards are treated completely differently under trade law.

Quality and safety standards are more likely to be *product* standards, while authenticity and 'goodness' standards are like to be *process* standards.[7] Thus *standards in pursuit of sustainable development are largely categorised as process standards* relating to social and environmental performance of the production process. Mandatory domestic environmental regulations of production processes exist, such as limits to pollution emissions.

Within the *voluntary standards*, it is possible to segregate according to the *institutions involved in initiating the standards* (UK Cabinet Office, 2000; UN Global Compact[8]; Jenkins, 2001) as follows:

Industry Initiatives
- **Individual Business Action** - such as a *supplier code of conduct*. Most prevalent in textile, shoe, toy and extractive industries as well as supermarkets. Eg Shell's "Revised Statement of General Business Principles" or Sainsbury's "Working with Suppliers Code of Practice." These individual codes are likely not be independently verified.
- **Collective Business Initiative** - where a sector (business association) or country draws up a code of conduct. Eg Responsible Care Initiative, the Apparel Industry Partnership, or the NFU British Farm Standard. Collective initiatives have also been drawn up and adopted by exporters in the South, such as the Kenya Flower Council code or the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) code.

Third Party Initiatives

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[6] A process and production method (PPM) is the way in which a product is made. An important technical difference is between a product-related PPM (where the final product is distinguishable) and a non-product related PPM (where environmental of social impacts occurred during production, use or disposal process but the product is substitutable). The WTO agreements accept the principle of discrimination between product-related PPMs (such as between organic and non-organic food), but does not allow countries to discriminate among "like" products, whatever their different environmental or social impacts. The term 'PPM' has become more or less accepted shorthand for non-product related PPMs (UNEP-IISD, 2000). Where governments become closely involved with non-product related PPM standards, such as the EU ecolabel or the famous dolphin-tuna case in the US, there may be serious trade friction.
[7] This is not always the case; Sanitary and Phytosanitary Standards (SPS) may be *process* (eg use of stainless steel walls) rather than *outcome* (eg number of *E. coli*).
[8] Resource on Voluntary Initiatives at
www.unglobalcompact.org/un/gc/unweb.nsf/content/voluntary.htm

- **Civic Regulation** - where NGOs play a lead role in monitoring and regulating business activity, eg. Organic labelling, Fair trade labelling
- **Independent or Standard-Setting Initiatives** - where initiatives are drawn up independent of specific business interests, eg.ISO standards, Oeko-Tex

Joint Government-Industry Initiatives
- **Policy-Driven Initiatives** - where frameworks are legally established but adoption left up to business, eg EU eco-label
- **Partnership or Multistakeholder Initiatives** -where government is involved as convenor (and sometimes funder) with business and other stakeholders, eg Ethical Trading Initiative (ETI) Base Code, SA 8000, or *inter-governmental codes* such as the OECD Guidelines for Multinational Enterprises and the ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises

The major division within standards and codes for sustainable development are between *environmental* and *social* standards—they have typically been treated separately. Environmental codes have a longer history and have tended to be less conflictual than those dealing with social (especially labour) issues. Labour codes tend to be found in sectors which supply consumer goods, particularly branded garments, footwear, sports, and toys, while environmental codes tend to be concentrated in primary and extractive industries (agriculture, forestry, mining) as well as the chemical manufacturing industry (Jenkins, 2001).

Trends in standards

In response to changes in the social, political and economic environment that affects the selection of standards, a number of trends are apparent (Giovannucci and Reardon, 2000; Readon et al., 2001):
- From technical norms which reduce transaction costs in broad commodity markets, to *strategic instruments of product differentiation*, supply chain coordination, market creation and growth of market share. This includes the use of standards as specification features of contract production in closed (vertically integrated) supply chains.
- From public to *private* standards
- From standards which communicate experience characteristics (eg taste) to standards which reassure consumers about *credence characteristics* such as worker conditions, and location authenticity
- From performance (product) standards to *process standards* (though as we see later, the reverse appears to be true for tourism standards)

Standards in the trade and development debate

Government trade regulations that discriminate on the basis of non-product related PPMs are forbidden under WTO law. This controversial regulation, which has cast the WTO as anti-environment (despite the fact that the principle of non-discrimination is widely supported by developing countries) is designed to protect the trading system from regulations motivated by protectionism or which are environmentally or socially inappropriate for foreign competitors.

As already mentioned, private standards and codes, and voluntary labelling schemes are rapidly proliferating. As voluntary standards, they fall outside of the WTO Technical Barriers to Trade (TBT) agreement unless there is significant government involvement. And yet they *can have impacts on trade equivalent to recognised TBTs*. Some governments "argue that even private voluntary eco-labels are meant to be covered under a section of WTO law that tries to prevent protectionism in the formulation of labelling criteria: the Code of Good

Practice. Under the Code, governments are obliged to make "best endeavours" to ensure that standards-setting bodies comply with such things as non-discrimination, openness in the formulation and implementation of standards, and *consultation with affected foreign interests*—all of which go a long way towards ensuring that *criteria are not created in a way that unfairly disadvantages foreign producers.* But developing countries are suspicious of any attempt to 'legitimise' PPM-based discrimination by bringing it under WTO rules. Environmentalists are equally opposed to private eco-labelling schemes being subjected to approval by an organisation they distrust" (Kerr et al. 1998).

The reason why the often arcane subject of standards is such a hot issue in the development debate is precisely *because* these standards pertaining to environment and social issues are *process* standards, and are increasingly *private* standards.

Voluntary standards are favoured by business as being more flexible than regulations, better suited to rapidly evolving and complex situations, and providing more opportunities for innovation and flexibility in meeting environmental or social objectives. Voluntary initiatives can help avoid premature or counter-productive legislation. For example in the tourism sector, Honey and Rome (2001) suggest that the Green Globe programme was introduced by the World Travel and Tourism Council with the specific intent to avoid government regulation or other third party certification. Rather than governments dictating by law which production processes are acceptable, consumers can decide for themselves and purchase accordingly.

A democratic deficit?

Private standards are 'only' accountable to consumer response; many have no government backing or recognition, and there is no way of regulating them. There have thus been calls to correct this perceived *democratic deficit* and bring private standards into a more democratically accountable framework. This is one of the functions proposed for a World Environmental Organisation (WEO), as an environmental governing structure that could arise out of the WSSD in Johannesburg. But it should be noted that, thanks to the multi-stakeholder input that private labels receive in their development, they often have a credibility with consumers and NGOs that many state regulations lack. Organic agriculture is a classic example. Its development has been an almost exclusively private affair, outside of state support, and in some cases despite government antagonism (Scialabba, 2000).

Governments have an essential role to play—in reducing the risks of de facto trade barriers, in guarding against misleading claims, and reducing barriers to participation. But through substituting rather than *enabling* voluntary initiatives, governments risk hijacking and hence devaluing the initiative.

Standards *do* create a democratic deficit when they by-pass national policies and strategies, or when they drive development patterns which work against those national policies (Vorley, 2002). For instance, standards for horticultural exports may drive consolidation through favouring large well-capitalised agro-exporters, despite a democratically derived policy of creating a black entrepreneurial rural class though land reform and high value exports.

Case studies

FOOD

A. An overview of food industry standards pertaining to sustainable development

Agriculture is globally still the most protected economic sector, with subsidised exports of surpluses from the North depressing international *and* domestic markets. Exporters to the EU also experience tariff escalation—higher tariffs on processed foods compared to raw commodities—which works against the addition of value in the South and more equitable market relations.

Like all export sectors, food exporters face a plethora of national and international requirements when seeking access to overseas markets. These include local requirements (for national Departments of Agriculture, Departments of Trade and Industry etc.), international technical regulations, quality grading standards and specifications, food safety and public health standards (Codex, GAP, GMP, HACCP), chemical residue limits (EU and US MRLs), phytosanitary (plant health/quarantine eg USDA-Aphis) and sanitary requirements (SPS Agreements), traceability requirements, labelling requirements etc.

Standards of sustainability are one more hurdle to jump, or a means to differentiate products and access valuable market niches, depending on whether these standards are *access* standards—market 'entry tickets' imposed by the 'gatekeepers' of supply chains (such as the large multiple food retailers or by governments)—or are associated with market *premiums* (such as organic or Fairtrade labels). Later in this section we develop case studies of an example from each of these—the European Organic Standard, and the EUREPGAP standards for horticultural produce. Table 1 lists examples from the extremely complex landscape of voluntary standards for environmental, social and ethical standards in food products, segregated according to the institutions involved in initiating the standards as described on page 5.

Food retailers have learned that there are very few areas which can extract a premium in the marketplace; food customers have very high expectations, and expect responsibility for environmental and ethical issues to be a given. This seems to reflect a trend in food retailing towards sharing best practices and demonstrating core values/reassuring customers through industry-wide standards, rather than competing on social and environmental issues. The middle path of *ecolabels*, in which products are differentiated on the retail shelf but little or no premium is paid to the producer, have had very little success in food sector, unless folded into other quality criteria such as regional/artisanal production. Integrated Production and Integrated Pest Management (IPM) are difficult concepts to explain to consumers in terms of food quality. Furthermore, consumers may not associate large retailers with green credibility, and prefer green credentials to be determined by independent organisations.

An example of Third Party ecolabel is **Milieukeur** http://www.milieukeur.nl/ which is managed by an independent organisation in which consumers, manufacturers, retail, government and environment organisations participate. The Milieukeur can be found on household products and agricultural products including plants and flowers, bread, apples, pears, onions, barley, wheat, apple juice and potatoes. The Milieukeur Foundation has been developing environment criteria for agricultural products and foodstuffs since 1995. Agricultural

Milieukeur products are inspected from cultivation to supermarket. For production yields comparable to common agriculture, Milieukeur products are considerably less damaging to the environment. The Milieukeur criteria are strict but attainable. For the cultivation of Milieukeur crops, only limited use of pesticides is permitted, of products that are least damaging to the environment. Standards have also been set for the use of energy and fertilizers and for disposal of wastes. Milieukeur Pork mainly distinguishes itself by an operational management in which the farmer tries to limit the harmful discharge of acidifying substances and the use of energy as much as possible. Demands have also been formulated for animal welfare.

Individual industry initiatives are all market entry standards, such as **Sainsbury's Working with Suppliers Code of Practice** (http://www.sainsburys.co.uk/social/) for socially responsible sourcing and the same company's Biodiversity Action Plans (http://www.sainsburys.co.uk/biodiversity/). Sainsbury's sourcing code is applied to suppliers of their own-brand and covers issues that include health and safety, equal opportunities and the protection of children. The Code aims to ensure that basic employment conditions, based on internationally agreed International Labour Organisation standards, are in place.

Table 1   Examples of voluntary standards in food and agriculture

	Social / Economic	Environmental / Economic
Industry		
Individual	Sainsbury's Working with Suppliers Code of Practice http://www.sainsburys.co.uk/social/	Coop NaturaPlan and Migros Sano/Migros Bio labels in Switzerland
Collective--North	- EUREP Guidelines for Good Agricultural Practice Http://www.eurep.org/sites/index_e.html - UK Assured Produce http://www.assuredproduce.co.uk/Aproduce/ - Organic labels such as UK Soil Association Http://www.soilassociation.org/sa/saweb.nsf/standards/index.html	
Collective—South	- Kenya Flower Council standards http://www.kenyaflowers.co.ke/ - Florverde, Colombia (cut-flowers) - COLEACP (developing harmonised code for the horticulture industry) http://www.coleacp.org/	
Third Party		
Civic Regulation	- Ethical Trade Initiative (ETI) Base Code http://www.eti.org.uk - International Code of Conduct for the production of cut flowers—Flower Label Programme http://www.fairtradecenter.a.se/bl_up.html - 'Fairtrade' labels eg http://www.fairtrade.org.uk/	
Independent or Standard-Setting		- Milieukeur ecolabel http://www.milieukeur.nl/ - ISO 14001, examples in food include Kvamilla program in Denmark
Joint Government-Industry		
National and sub-national Regional/ International	Belgian Social Label for products from developing countries SA 8000	Regional labels Eg Label Régional Savoie, Natürlich Aargau - EU Organic regulation - EU Protected Denominations of Origin (PDO), Protected Geographic Indications (PGI) labels and Traditional Speciality Guaranteed (TSG) labels http://europa.eu.int/comm/agriculture/qual/en/index_en.htm

The **Ethical Trade Initiative** is a good example of Third Party civic regulation in the food industry. The ETI arose out of a campaign led by Christian Aid to improve labour standards in developing countries by 'naming and shaming' UK supermarkets which sourced from agri-food supply chains. It has grown into an alliance of companies (mostly retailers), NGOs and trade union organisations committed to working together to identify and promote ethical trade—good practice in the implementation of a *code of conduct for good labour standards*, including the monitoring and independent verification of the observance of ethics code provisions, as standards for ethical sourcing. Members of the ETI are committed to business ethics and corporate responsibility, promotion of worker rights and human rights in general. In employment, ethical business includes working towards the ending of child labour, forced labour, and sweatshops, looking at health and safety, labour conditions and labour rights.

B. Design and Implementation of Food Standards

Case 1. The European Organic standards[9]

The European Organic Standard is an example of *joint government-industry initiative* to regulate a *product PPM*, grown out of *civic regulation* (national standards).

Organic agriculture is promoted as a trade 'win-win-win' for the South. There are potential *economic, social* and *environmental* benefits for countries—reduced impact on natural resources, low inputs of chemicals and energy, and greater economic self-reliance through reduced expenditure of foreign exchange. Many countries of the South have a strong comparative advantage in terms of labour availability and cost, and agricultural systems that are already low input and thus virtually 'organic'. Small farms, with their opportunities for careful management of crops and soils, are considered as intrinsically well suited to organic production.

The economic opportunities offered by organic markets in Western Europe, North America and Japan have attracted the attention of producers in many developing countries. In a global market valued at US$21 billion[10], about 140 countries produce certified organic food and beverages. Around 60 developing countries export certified organic foodstuffs to the EU. Products most commonly exported from developing countries are tropical products (coffee, tea, spices, fruits and nuts), off-season products such as fresh fruits and vegetables, in-season products when temporary or more permanent shortages exist, and speciality products such as wine and ethnic food. The share of organic products in European agricultural markets is generally not over two per cent. Farmers are typically paid a premium of between 20 and 40%. Market growth has been rapid in recent years, but appears to have levelled off at around 2-3% in the most mature markets such as Austria and Denmark.

Organic markets are atomised (including alternative trading channels such as fair trade), and dominated by direct marketing. In the UK, Switzerland and Denmark, supermarkets are the dominant outlet for organic produce (70% market share), compared to 20-30% in France, Austria, Germany and the Netherlands.

Production is *not* the major constraint to exports of organic food and fibre from the South, though there are often shortages of appropriate research and extension support. Key

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[9] This case study has been prepared based on materials presented at the UNED-UNCTAD Policy Dialogue on promoting Production and Trading Opportunities for Organic Agricultural Products, Brussels, 21-22 February 2002, and discussions with Ron Steenblick of the OECD
[10] Figure for 2001 from International Trade Centre, January 2002

constraints to increases production in the South are more related to *market access*, as a function of:
- non-uniform standards and certification procedures, raising requirements of initial investments
- uncertain market demand, with small international organic markets becoming easily oversupplied, leading to declining market premiums
- conversion subsidies and other support measures for organic production in the North (ie unfair competition),
- (growing) preference for local and regional products

Design and implementation of the EU Organic Standard

Certification procedures for import into the EU are extremely complex. Some countries have a number of private organic labels (such a Germany, with 20 organic labels, or the UK's Soil Association scheme) while others such as Denmark have no private scheme, only a national label. The introduction of EU-wide organic rules—a path followed more recently in the US and Japan—has the potential to provide better transparency, information and guidance on import rules.

The EU decided (as did the US and Japan) to *opt for very detailed regulation for organic agriculture* rather than *seek harmonisation or mutual recognition with the multilateral global equivalency programme* developed by the International Federation of Organic Agriculture Movements (IFOAM).[11] Regulation EEC 2092/91, introduced in 1991 and amended 25 times since, requires *certification* as the means to assure organic origin. The EU regulation sets the framework and makes requirements on imports, but there may be additional requirements that private national bodies such as the Soil Association impose. The regulation does not yet appear to have created a uniform EU market for fresh organic horticultural produce.

Trade facilitation

The decision by the EU *not to seek multilateral agreement* with internationally harmonised standards is a key feature of the European standard in terms of complexity for exporters to Europe. The IFOAM global *Basic Standards* encompass production standards and a system of accredited bodies, which inspect and certify farmers according to these standards. The basic standards, which are based on ISO 65, can be adapted nationally and regionally. Although the EU's standards and those of IFOAM are broadly similar in substance, the European decision to develop non-harmonised regulations—since repeated by the US and Japan and Australia—gives a signal that the domestic organic market is 'meant' for domestic producers.

The EU organic standard was designed only around European requirements, rather than an internationalist (ie IFOAM) perspective; ie the production rules in the EU organic regulation are *designed in accordance with the farming conditions within the EU*. The system, especially its positive lists of authorised substances' is relatively inflexible and must be adjusted when it is to be applied, for example, in areas with climate conditions that differ from those in which the standards were developed. *There is no evidence that developing country*

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[11] There are a range of views within EU member states. At one extreme, in France the government sets organic standards, and growers call on the government to tighten the regulations (against imports). In Sweden, at the other extreme, there is a preference for bare essential EU regulations, with national standards tailored to national conditions. The decision by the EU to opt for detailed technical regulations marks a balance between these positions.

interests have been considered in the design of or in the process of amending the rules. Information about the rules has primarily reached exporters and exporting countries via the importers and certification bodies. A brochure describing the rules, in which two pages are devoted to import procedures, was made available only in 2000.

There is some logic to the eurocentricity of the European standard—after all, the 2092/91 rules were introduced as part of CAP reform (ie, with an agri-environmental and quality mandate rather than trade mandate). It is also in line with consumer preference for organic products from their own country or region.[12] The EU has recently introduced an organic logo which may only be put on products produced with a 95% EU sourcing requirement.

The EU and other national systems have been very reluctant to embrace one-stop accreditation. The lack of co-operation between different government systems and the private system is in fact an important reason for the problems experienced by exporters. They are faced with different sets of regulations (and thus different certification requirements) for the EU, US, Japan and Australia, which have gone their own ways in standard setting.

There are two ways of importing organics into the EU. The first and most straightforward is via *bilateral agreements* according to the principle of *equivalence* and *mutual recognition*, recognising third countries' national organic regulations and their systems of accreditation and control. There are currently only six 'third countries' on the EU list, none of which are considered as 'developing' (Argentina, Australia, the Czech Republic, Hungary, Israel and Switzerland).

The second is by ad-hoc (case-by-case) application by private individuals to import via the 'Back Door', introduced as an exceptional way of approving imports due to the slow speed of approvals for mutual recognition. The large majority of imports still come into the EU through the 'back door'. Under the Back Door procedure, imported organic products may be marketed as such if the importer can furnish the relevant authorities in the Member State with satisfactory proof that the product was produced and inspected in accordance with the EU rules. This is achieved through using one of Europe's certifying bodies, some of which have local branches in Southern countries. The EU appreciates that the Back Door, which is only 'open' until 2005, needs to be more transparent and less bureaucratic. Currently, using the Back Door is a very expensive business. The procedure entails much more paperwork for exporters, importers and inspection bodies. In contrast with the front door procedure, specific import permissions need to be obtained for each consignment. Another problem is that in practice Back Door rules are applied differently in different Member States. The result is arbitrary decisions, uncertainty and lack of information among exporters and importers, and distorted trade.

The nature of the European organic rules are generally not a problem for exporters in listed countries, where only equivalency with the Regulation is required. The situation is more troublesome for exporters from non-listed countries, who must follow the EU Regulation more strictly. In addition, *neither listed nor non-listed countries are able to influence the standard setting in the EU.*

The listing procedure implies that organic farmers in non-listed countries may be at a disadvantage. Organic producers in countries which lack a functioning state administration, or where the state does not feel it has enough resources to develop the necessary legal and administrative framework for organic farming, are barred from the 'front door' even if their products are certified and meet the EU requirements for production practices.

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[12] With the exception of the UK and Belgium—see www.fao.org/organicag/doc

There is concern that certification rules and procedures may be a barrier to small scale farmers in the South. The organic premium is being swallowed up by certification and inspection costs, often for several countries (US, EU, Japan). Certification costs clearly scare away many prospective organic producers. These cost hurdles can be partially overcome by *group certification* with Internal Control Systems, which can themselves have positive spin-offs for capacity-building, management and other features of raised social capital. For organic coffee, for example, group certification, which costs $3,000-8,000, can bring the cost per farm down to the $10-20 range. IFOAM policy for smallholder certification, introduced in 1999, states that certification should be adapted to the local situation, using simplified procedures when the risk of non-compliance is low. However, the EU Regulation does *not* give clear room for recognising the work of an externally inspected Internal Control System and accepting group certification. According to EU rules, each farmer has to be inspected annually by an independent inspector.

But not all problems of market access can be laid at the door of the European Commission. The fact that Argentina is a recognised third country attests to the investment and efforts of government and grower organisations in developing an appropriate infrastructure. Many Southern governments have unfavourable national policy environments for organic agriculture, with policy makers, researchers and extensionists trained in the agro-industrial mould. Some of the poorest farmers in the world are gaining access to EU organic food markets with positive results. But the high cost of certification and fragility of organic markets are leading to a major reassessment of the hype around organic exports as the great win-win-win hope for sustainable development based on agro-exports. For example, only 10 of the 20 tea plantations in Darjeeling which converted to organic are making profits since the virtual disappearance of the organic tea premium. Complex government and certifier regulation is harmful for the positive incremental development of the sector. Other limitations to the growth of the sector include very poor loyalty by supermarket buyers, and lack of credit.

Case 2. EUREP-GAP

The Euro Retailer Produce Working Group (EUREP) includes most of the leading supermarkets from throughout Europe, with strongest participation among northern European retailers, particularly in the UK (Asda, Marks & Spencer, Safeway, Sainsbury, Tesco and Waitrose). The Group launched its protocol on Good Agricultural Practice (EUREPGAP) for horticultural products in 1999 in response to rising consumer concerns about food safety, particularly in the context of widespread global sourcing. EUREPGAP seeks to provide a framework for independent verification of minimum social, environmental and food safety standards for the production of fresh fruits, vegetables and flowers. EUREP has also developed a protocol for animal production. Both protocols are available at www.eurep.org.

This is a *collective industry-led standard*, which appears likely to become the industry standard against which national farm assurance schemes are benchmarked, defining acceptable standards and processes that suppliers must adhere to. It aims to harmonise requirements for farm products at a high level, with transparency and integrity. Where there is no equivalent national scheme, producers will be inspected against GAP by a EUREP-accredited verification body. It also provides an opportunity for sharing best practice.

Design and implementation of the EUREPGAP standards

Central to GAP is a commitment to adopt Integrated Crop Management (ICM) practices. It includes sections on:

· Record keeping
· Varieties and Rootstocks
· Site History and Site Management
· Soil and Substrate Management
· Fertiliser Usage
· Irrigation
· Crop Protection
· Harvesting
· Post-harvest treatments

The protocol also includes stipulations on waste and pollution management, recycling and refuse; worker health and welfare; and on wildlife and conservation. Many of the actions in the protocol are 'encouraged' rather than 'required'.

In fact, all members of EUREP have signed the EUREP Terms of Reference that unite them in their common goal to "Respond to Consumer Concerns on Food Safety, Animal Welfare, Environmental Protection and Worker Welfare by:

• Encourage adoption of commercially viable Farm Assurance Schemes, which promotes the minimisation of agrochemical inputs, within Europe and world wide.

▪ Develop a Good Agricultural Practice (GAP) Framework for benchmarking existing Farm Assurance Schemes and Standards including traceability.

▪ Provide guidance for continuous improvement and the development and understanding of best practice

▪ Establish a single recognised framework for independent verification.

▪ Communicate and consult openly with consumers and key partners, including producers, exporters and importers"

By applying the EUREP protocol to suppliers, supermarkets feel that they demonstrate their commitment to Integrated Crop Management and to a base level of worker health and environmental standards. *It can therefore perform the function of a code of conduct, even though it is the suppliers' performance that is actually assessed*.

EUREP has developed a checklist for self-assessment purposes. Producers receive their EUREPGAP approval through verification by an independent EUREP-approved body. Growers pay directly for GAP inspection. Of the 26 certification bodies accredited against the EUREPGAP standard for fruit and vegetables, all except two are based in the North.

There is no grower premium—more an expectation that inspection should be seen as another part of production costs, along with inputs etc. EUREP leadership stress that "the cost is tiny in relation to other costs of production, and is easily outweighed by the advantages of having a secure market and having one standard to be inspected against, rather than lost of different inspections."

From the producer side, EUREPGAP standards may be seen as another industry-imposed hurdle for suppliers and exporters to jump over—standards as designed *by* retailers *for* retailers. Southern suppliers are reported to object to the fact that wildlife plans and labour standards are asked of them but not of European suppliers. But harmonisation of the

EUREPGAP Protocol, Compliance Criteria and Implementation Guidelines should make exports to retailers across the EU a much more unified process. The organisation is working hard on getting information out to exporters; in March 2002, EUREPGAP founded its first regional Secretariat, responsible for the African continent, based in South Africa.

Trade facilitation

Smallholder farms often perform well in terms of resource conservation and use of non-renewable inputs. Pay and employment security may be no worse than large commercial farms. But smallholder compliance with common labour standards and knowledge of labour and environmental legislation is often poor—a feature of minimal resources and capital, low education levels, poor access to information and knowledge, and distinct labour arrangements (mix of household and wage labour, sharecropping, outgrowing etc.).

Though standards such as EUREPGAP may not explicitly be designed with large-scale industrial exporters in mind, they can become instrumental in *industrial concentration* and the *consolidation of supply chains.* Even if standards are modified to met the needs of small producers and artisans—as achieved by the Marine Stewardship Council (MSC) standards—those producers must sell to processors or exporters which can access that chain of custody who capture a large share of environmental or social premium. Studies in Zambia and Kenya by Susanne Freidberg show that European—especially UK—food retailers have "sought to rationalise their supply [of African horticultural products] in favour of export firms which appeared best equipped to meet high-volume orders as well as the increasingly stringent food safety, environmental and social standards." This process of rationalisation, part driven by EUREP-type private standards for green and ethical trade, has caused a rapid *drop in the contribution of smallholders or outgrowers to horticultural exports* and a dramatic *concentration of the horticultural industry.* All costs of compliance with these standards are borne by the supermarkets' suppliers, driving down profit margins and fuelling the concentration process. Standards relating to child labour also limit women's livelihood options*. S*tandards for Southern exporters in the food sector have focused on social conditions in plantation and agro-industrial sectors rather than wider challenges of sustainable development of the smallholder sector.

A side-effect of standards for export markets can be a 'cascade effect' on domestic markets or unregulated neighbouring countries with inferior (sub-standards) product, as experienced by Bolivia with products from Chile, Argentina etc.

A. Introduction to forestry standards [13]

Regulations on wood quality, sizing and health have been in place for some time: Until the 1990s, these formed the prevailing standards affecting forest imports to the European Union. If not trade barriers, they act as obstacles to trade, changing comparative advantage and cost structures. They cover:

- Building regulations, which dictate wood structural requirements: these affect the species and sizes acceptable for different purposes; there are both European and national regulations
- Environmentally related technical regulations e.g. restricting the use of bleach in paper, the use of formaldehyde glues in wood panels, certain timber preservation processes, and recycled content in pulp and paper products, and regulations on recycling and recovery of packaging waste
- Phytosanitary and associated quarantine regulations, aimed at stopping the spread of pests and diseases, determine other aspects of wood quality: this makes it very difficult to import undried wood, and wood with bark, which are effectively debarred. This has led to trade disputes e.g. over European requirements for coniferous wood to be treated prior to import. There are difficulties with natural rubber, oils, nuts, etc. (there are also European import quotas on wood panels, and tariff quotas or ceilings on paper, some furniture and some building materials)

For the last few years, however, practically all debate and effort in forestry standards concerns sustainability. The 1990s has seen a rapid global evolution of standards designed to improve the sustainability of forest management. Whilst they initially focused on environmental sustainability, all standards now cover environmental, social and economic dimensions to some degree. Initiatives to develop such standards fall into three loose groups:

- The first group is *independent*, with a strong focus on certification
- The second group evolved from *intergovernmental and governmental* efforts by timber producing countries, primarily to report on progress towards sustainability through international agreements
- The third evolved from *industry association* efforts to handle the pressures from the first two[14]

These are discussed below. A summary matrix of the operational certification standards and schemes is found in Annex 1.

The forest sector has come to accept that a mix of process and performance standards is required to achieve sustainable forest management. It is very rarely the case that perfect

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[13] ISO describes a standard as 'a documented agreement containing technical specifications or other precise criteria to be used consistently as rules, guidelines or definitions of characteristics, to ensure that materials, products, processes and services are fit for their purpose'.

[14] A fourth group – individual company standards for wood procurement – has become much less significant now that companies are using existing certification schemes to ensure their wood comes from well-managed sources. Some large companies, however, such as B&Q in Britain (which used to do its own research tracing all timber sources) instead now operate standards for selecting acceptable certification schemes.

knowledge exists about just how to manage a given forest to ensure sustainability. Some basic performance principles have been developed about 'best practice' operations in the field, but usually the optimum approach is not yet known for any given forest. Good forest management therefore amounts to a hypothesis – there has to be a system of experimentation, monitoring and adaptation for continuously improving performance in defined forest areas. Hence 'process' is as important as 'performance' in moving towards sustainable forest management (SFM). In the early 1990s, there were arguments between 'pure' performance standards as advocated by many environmental NGOs, and pure management/process standards such as ISO environmental/quality management systems advocated by many forest industries which were used to such standards in other operations.

Today, most forest standards attempt some combination of the two. In fact, the standards are becoming increasingly similar in their social, environmental and economic coverage. The differences are more in the certification procedures, the governance of the scheme, the degree of 'ownership' by local stakeholders, and the interaction with the local regulatory regime. Unlike in agriculture and tourism, only a few schemes are in operation. The most influential – in terms of how the other schemes are designed, if not yet in area of forest covered or volume of products – is the FSC (below)

1. Independent, global standard-setting initiatives aimed at voluntary forest certification

Forest Stewardship Council: (www.fscoax.org) This has been by far the most significant initiative in defining SFM standards. As such, it is described in some detail here, and in section 2 on impacts.

Purpose: FSC remains the only fully integrated, global system of forest certification. FSC was founded in 1993, with the objectives to promote global standards of forest management, to accredit certifiers that certify forest operations according to such standards, and to encourage buyers to purchase certified products.

Governance: FSC was designed around sustainable development principles. It is a membership organisation, with decisions made through meetings of a General Assembly, which is divided into three equal chambers: social, environmental and economic. All three chambers have Northern and Southern sub-chambers, each with half of the total chamber votes. This structure of chambers and sub-chambers is aimed at equality and balanced power between interest groups. WWF has strongly supported FSC since its inception, to the exclusion of other forestry standards and certification schemes. Governments are not entitled to participate in FSC's governance, even as observers, although government employees have been very active participants in some FSC national initiatives. This has been the cause of some frictions, especially given the close relationship of certification standards to regulations and the fact that government bodies have direct interests in forest enterprise, environmental sustainability and the welfare of forest-dependent groups.

The standard: FSC has a set of ten Principles and related Criteria (P&C) of Forest Stewardship, which apply to all tropical, temperate and boreal forests, both natural forests and plantations with the tenth Principle being exclusively for plantations. These P&C cover social, environmental and economic aspects and serve as a basis for the development of national and regional forest management standards. FSC's approach sets a high standard, with a single threshold. No concessions are made for progress towards this standard. This partly explains the strong NGO support of FSC. Forests can be certified according to the global P&C, but FSC encourages multistakeholder national working groups to develop national/subnational standards based on the global P&C. Certification standards that are consistent with both the P&C and FSC's process guidelines for standards development are

eligible for FSC endorsement. Certification can cover forest management, chain of custody vertification from the forest to the point of sale, or both. FSC owns a trademark which may be used to label products from certified forests.

There are fully endorsed national/sub national schemes and FSC Regional Standards in: United Kingdom, Sweden, Bolivia, Canada-Maritimes, Belgium, Germany. [15]

Certifiers: FSC is unusual in being both a standards body and accreditation body. Accredited certifiers may have their own slightly different emphasis in conducting FSC audits in the field. [16]

Progress: To date (March 2002) 27.25 million ha have been certified globally, including about 1 million ha in each of Bolivia, Brazil and South Africa amongst developing countries. In spite of the rapid take-up of FSC certification, 85% of certified forests are in the North, and a similar percentage are large operations. There are, however, some very significant certified forests in many developing countries, often by small and community operations. FSC's rapid development and take-up in the field may partly be ascribed to support by WWF-organised Buyers' Groups of retailers, which committed to purchasing certified timber by a given date. These groups have been especially active in Western Europe and particularly Britain. Recognising that the whole supply chain can drive certification (and not just the buyers) WWF has since organised a global network of buyers *and* producers in about twenty countries, North and South, to promote FSC standards: the Global Forest and Trade Network.

FSC remains in a developmental stage, and some of the relevant documentation is still in draft form. The ratified elements include: the Statutes; the Principles and Criteria; and guidelines for minimising conflicts of interest, for national initiatives, and for developing regional certification standards. A manual for evaluation and accreditation of certification bodies is also available. Working groups deal with unresolved or emerging issues – many of which are relevant to developing country producers. For example, recent developments by working groups include:

• *Group certification of smallholders*, to allow for several small enterprises to be covered by one certificate, which is held by the group manager. This can reduce certification cost, provided group members are sufficiently similar to create scale economies.
• *Chain of custody in the case of multiple sources of paper and composite wood products*. This allows processors a mix of certified and uncertified material where this reflects local supplies, and so reduces cost.
• *Harmonisation of different national FSC standards* covering similar ecological zones. This comprises both formal FSC National Initiatives to tailor FSC's P&C to local situations, and other nationally driven forest standards which have been accepted by FSC (such as Indonesia's – see 1.3).

International Organisation for Standardisation (ISO): (www.iso.ch) The ISO 14000 process standards for environmental management systems (EMS), which can be

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[15] There are also affiliated national/sub national schemes and FSC Regional Standards in Canada – Great Lakes/St. Lawrence, British Columbia, Boreal; United States – Northeast, Ozark-Oachita, Southeast, Mississippi Alluvial Valley, Southwest, Pacific Northwest, Rocky Mountains; Mexico; Nicaragua; Colombia; Peru – Timber, Brazil Nuts; Ecuador; Chile; Brazil – Amazon, Plantations; Bolivia – Brazil Nut Standards; Ireland; Belgium; Denmark; Netherlands; Spain; Estonia; Latvia; Russia; Poland; Hungary; Romania; New Zealand; Papua New Guinea; Indonesia; Vietnam; Cameroon; Ghana; Zimbabwe.
[16] Accredited European and developing country certifiers include : SGS Qualifor, UK; Soil Association, UK ; BM TRADA, UK; SKAL International, Netherlands ; ICILA, Italy; GFA Terra Systems, Germany ; and the South African Bureau for Standards.

implemented by any type of enterprise in any sector, is increasingly used in forestry – especially for 'industrial' plantation enterprises. Whilst it does not set any minimum performance requirements (the enterprise is free to use any performance standard, such as FSC's, or to develop its own), one of its key principles is that performance must continue to improve. It does not confer the right to use the ISO label on products.

Although ISO has been around for a long time before forest certification was developed, in the late 1990s, many larger forestry companies and some governments sought to establish a forest-specific ISO14000 standard as an alternative to FSC. They believed that ISO's process approach was both better business practice and provided for the very different starting points and operating conditions of forest enterprises in different countries. Furthermore, they were familiar with ISO approaches (which they had been using in e.g. mills) and were comfortable with the fact that ISO standards are not considered by the World Trade Organisation to be unacceptable barriers to trade. An ISO forestry technical working group was set up under a New Zealand industry chair. Whilst the result was that no forest-specific ISO standard could be agreed, a guide was produced (ISO Technical Report 14061) on the many possible forestry performance standards (including FSC) to enable a forest producer to define its own standards under ISO14000 (but not to *require* any particular standard).

In practice, many companies see the performance focus of FSC and process focus of ISO 14001 as complementary, and they implement both. In South Africa, for example, many producers consulted by IIED had found ISO certification to be an excellent learning process which prepares the business for FSC certification.

2. Intergovernmental and governmental standards by timber producing countries

Three separate intergovernmental efforts to describe SFM have subsequently been used to provide a framework for voluntary certification schemes that were developed by local forest owner/industry associations – all of them, at least in part, a reaction to FSC:

ITTO and ATO. In the early 1990s, the International Tropical Timber Organisation (www.itto.or.jp) developed criteria and indicators (C&I) for sustainable natural forest management and plantation management, through an 'expert panel' approach. ITTO is an intergovernmental organisation comprising tropical timber producing nations and consuming nations, which aims both to promote tropical timber trade and the conservation of the resource base (it is the only commodity agreement to do so). The original purpose of the C&I was to act as technical guidance to help producer countries plan to meet the social, economic and environmental requirements of sustainable forest management (SFM). The C&I soon became viewed as means for countries to report progress towards SFM and, more importantly when countries such as Austria and the Netherlands threatened legal bans on tropical timber imports, as means to prove sound management and argue against a ban. The C&I inspired similar work by the African Timber Organisation (ATO). The ITTO/ATO C&I are significant today because:

Some developing countries have used the ITTO C&I as a basis for the standards used in their national forest management certification schemes: Indonesia (Lembaga Ekolabel Indonesia), Brazil (CERFLOR) and Malaysia (National Timber Certification Council) – see 1.3 below.

Several African countries are currently using the ATO C&I to develop their national forest management certification schemes: Ghana, Central African Republic, Congo and Cameroon, and proposals for a Pan-African approach by the Paris-based International Forest Industries

Association, which brings together importers of African timber. The application of ITTO/ATO C&I to certification was pushed by an emerging trend for forest certification to FSC standards (below) and by the desire of many governments not to allow the non-governmental FSC scheme a dominant role in their countries. Stabex rules point(ed? – check) to favourable wood trade terms for developing countries that can prove their forests are managed to ITTO standards.

The Helsinki Process: With the successful production of the ITTO C&I for tropical countries, and with the calls for North-South shared responsibility at Rio, initiatives began to emerge for Northern countries to improve their standards of forest management, too. The Helsinki process was developed by the Ministerial Conference on the Protection of Forests in Europe. It built on the Rio Forest Principles, covering social, environmental and economic dimensions. The resulting C&I initially focused on forestry issues at a national level (to allow reporting to UNCED). Sensing the need to focus at the forest level, the C&I were later translated into forest-level form. The Helsinki C&I are significant today because:

A major **Pan European Forest Certification** scheme (PEFC) has evolved using the forest-level Helsinki C&I (see 3 below). This is a significant competitor to FSC, with the backing of many European forest producers.

The **Montreal Process**: Unlike the ITTO/ATO processes, which focused on tropical countries, or the Helsinki process, which focused on Europe, the Montreal process was a deliberate attempt to bring together a broad cross section of nations, North and South, to develop C&I. Driven initially by Canada, this was seen by many as an approach to lead towards Canada's desired outcome of a global forest convention. The convention has not materialised, but the Montreal process has had at least one enduring effect:

The **Canadian Standards Association**'s national SFM Standard is based on the Canadian articulation of the Montreal process C&I ('national SFM criteria' developed by the Canadian Council of Forest Ministers – see 3 below). It has become an ally of the PEFC scheme (above).

Other intergovernmental C&I processes, which have not yet led to certification standards, include the Central American, Dry Zone African, Near East, and Tarapoto (Amazon) Processes.

Local and national government timber procurement policies: Partly because of the availability of credible forest certification schemes, many governments have moved from (tropical) timber bans to wood procurement policies that will often depend on one or more certification schemes. Local authorities in Britain have been doing this for some time, initially under a scheme run by the Soil Association, an FSC-accredited certifier. Denmark and the UK government are currently working out their standards for timber procurement. The Netherlands has used a private scheme, *Keurhout,* to screen the standards used by both suppliers and certifiers (see 3).

3. Regional/national certification schemes driven by local industry associations, supported by national standards boards and government

The Pan-European Forest Certification (PEFC) scheme: (www.pefc.org) In Europe, some small-scale and non-industrial forest owners and some government forest agencies have been strongly antagonistic towards FSC – feeling that their forest management systems and cost structures were not reflected in, or best assessed against, the FSC P&C. This led to the first real alternative to FSC in the form of PEFC as a framework for the mutual recognition of

European national certification schemes. Worries in the European Commission about possible internal trade imbalances caused by FSC may have given further impetus. The initiative was started by Finnish, German, French, Norwegian, Austrian and Swedish forest owners.[17] It was supported by the national forest certification schemes that had been emerging in some of these countries (for similar reasons) yet which felt themselves to be individually too small to develop an adequate presence. This was a rapid evolution: PEFC was started in August 1998, and was launched in June 1999. Now there are 18 countries involved, and a greater area of forest certified than with FSC (42 M ha against 27 M Ha in March 2002). This rapid development has entrenched the position of many environmental NGOs, which have supported FSC since the beginning. They believe that the ease of PEFC certification, in countries which they perceive to have imperfect forest management, demonstrates that the scheme is not helping to improve forest management and thereby achieves little beyond attempts at market protection.

The PEFC is a voluntary private-sector initiative, designed to promote an internationally credible framework for forest certification schemes and initiatives. Because its criteria are consistent with the intergovernmentally agreed Helsinki C&I, they attract considerable support from European governments. National certification schemes that meet PEFC requirements can apply for endorsement and the right to use the PEFC trademark for product labelling. In contrast to accreditation by FSC, PEFC leaves this function to national accreditation bodies. National PEFC governing bodies set standards and operate national schemes, and are represented on the PEFC Council Board. National standards and schemes are submitted to the board for assessment against the PEFC criteria in application to use the PEFC logo.

The Canadian Standards Association's National SFM Standard: (www.csa-international.org) The CSA approach aims to bring together best practice in standards – it includes extensive local participation in both standards development and audit, and it brings together management system standards with the national SFM criteria. It was promulgated by industry associations, notably the Canadian Pulp and Paper Association, but with support from government. Although it is not of direct relevance to developing countries' exports to Europe, it emanates from a significant forest producer country which has been bold enough to counter FSC, and thus has had the effect of encouraging the development of non-FSC certification in Europe and developing countries. It is a rather over-designed, expensive scheme, however, and not many Canadian forests are certified to it (more, in fact, have gone for FSC).

Brazil's CERFLOR certification scheme: This is being developed by the Associacao Brasileira de Normas Tecnicas (ABNT – the Brazilian national standards organisation) and the Brazilian Society for Silviculture. The ABNT established a technical committee comprising technical experts, industry representatives, environmental NGOs and academics to develop these standards. Their first focus has been the large scale, industrial plantation forests. The technical committee has developed draft standards through a participatory process governed by ABNT and based largely on ITTO C&I and ISO procedures. The scheme emphasises voluntarism, self-regulation and independence, with the ultimate objective of positively differentiating Brazilian products from others in the global marketplace. It appears that the draft standards and proposed scheme are considered broadly acceptable in Brazil. CERFLOR has not yet certified any Brazilian forests.

The Indonesian Ecolabelling Institute (Lembaga Ekolabel Indonesia – LEI): This was established with support from the World Bank to establish a national certification scheme as a means of good environmental practice in a country ravaged by deforestation. In 1999, the

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[17] Note that PEFC covers geographical Europe, and not just the EU.

LEI and the FSC launched a joint certification program, which involves LEI, FSC-accredited certifiers and Indonesian certifiers. The standards for this program were developed based on national policy, ITTO guidelines, FSC principles, ISO standards and public consultation. This work has produced a set of national criteria and indicators for both national and plantation forests. Importantly, it aims to allow a step-wise approach, with graduated standards and incentives: tax concessions and exemptions from administrative requirements may be offered for concessionaires meeting progressively higher levels of standards. This joint program is an interim arrangement during which all Indonesian wood products certified under the program will carry both LEI and FSC labels. This program will assist Indonesia to establish LEI certification and a reputation in the international wood product markets. It should also accelerate the establishment of Indonesian forest certifiers and assessors. LEI has also been active in the region, e.g. advising Malaysia and Vietnam.

Malaysian National Timber Certification Council (NTCC): Following a pilot study of certification schemes, the Malaysian Timber Council established the NTCC to develop and oversee a domestically based certification scheme. This is an independent council including representatives from all sectors, though the strong government backing suggests strong governmental influence. The NTCC is working towards gaining active support from the national consumer advocacy organisation and WWF-Malaysia. The NTCC has developed draft certification standards for sustainable forest management based on national policy and ITTO C&I/guidelines. The development of these draft standards also incorporated consideration of ISO procedures and standards. As with Indonesia, it was also thought prudent to aim for compatibility with FSC P&C, for trade reasons and because of the longer experience of FSC certification. The scheme includes assessment by independent auditors. The Council has undertaken pilot testing of these standards and pilot certifications within national forests on Peninsular Malaysia, followed by timber export shipments; these were carried out in association with the Keurhout Foundation (below).

4. Proliferating certification schemes – a new imperative for mutual recognition

What the various certification standards say about the social, environmental and economic aspects of sustainable forest management is not the major issue. Even in 1996, IIED analysed 17 initiatives to define SFM and found they all had the following in common:

- sustaining yields of all forest goods and services including timber, non-timber products and ecological services;
- conserving biodiversity at the ecosystem, species and genetic levels; and
- ensuring positive social and economic impacts on different groups (indigenous people, local communities, and employees).

The similarities would be greater today. In addition, all standards have encompassed management systems to some degree. Furthermore, all initiatives stress the need for local interpretation (by more than one stakeholder) and allow certain details to be specific to local forest conditions (although not usually to different producer types).

The *real* differences between the increasing number of voluntary certification standards reside in:

- The different degrees of 'buy-in' that stakeholders feel (partly a function of how they have been involved – or not – in scheme design and governance); in effect, different forest producers want differentiation by producer type. For example, Europe's small family forest producers seem to prefer PEFC, large industrial operations seem to prefer ISO

approaches, and forest companies that are well-endowed with forestry expertise, suitable forests, and links to environmentally-discriminating markets generally prefer FSC.
• Stakeholders' attitudes to outside bodies getting involved in local forest policy (a principal reason why many developing countries went their own way, rather than 'buying' the FSC approach from the start)
• The interaction with the regulatory regime (some of the regional and national schemes are strongly built on government SFM norms, and have informed them, but FSC set out to 'do better' than legislation).

With the appearance in just a few years of several certification schemes, the industry and some governments have felt the need to tackle proliferation. In essence, the benefits of proliferation (innovation, fitting schemes to certain niches, bigger body of learning, competition between schemes) now seem to be outweighed by the problems (consumers get confused by many labels, all of which lose credibility as a result, and producers shy away from any standards until a simpler approach is on offer, partly because they want to avoid the costs of multiple schemes or schemes becoming redundant).

Existing bodies vying for the ascendancy – FSC and PEFC: Whilst FSC sees itself as a global means for harmonisation, but many industry players do not like the FSC approach. Because PEFC offers a mutual recognition framework for Europe and is acceptable to many in the industry, it is now being seen as one model for global mutual recognition. [18]

A screening initiative based in the importing country - Keurhout: Another approach is that of the Keurhout Foundation (www.stichtingkeurhout.nl) This foundation was established in 1996 by the private sector (trade, timber processing industry and the unions), with support from the Dutch Government. Its objectives are (1) to verify whether submitted certificates of sustainable forest management meet the so-called minimum requirements of the Dutch Government and (2) if they do, to carefully follow the chain of custody from permitted production areas to the end-user.

The Dutch Government legislation related to certification (1997) has been derived from the ITTO C&I, the Forest Principles / UNCED, the Helsinki process and the FSC P&C. They cover: an adequate management system; performance of forest management to guarantee the integrity of the ecological functions and the continuity of the socio-economic and socio-cultural functions of the forest; monitoring by an approved certification body; and an effective system for verifying the chain of custody. The onus thus shifts to an independent Board of Experts, which verifies the certificates in accordance with Dutch legislation related to certification. A large area under different certification schemes (37 million hectares) has been approved in this way. Most temperate softwoods that have been imported for the Dutch market have already been approved. Tropical hardwoods have a smaller share.

The Keurhout approach therefore allows producers to become certified according to the certification standard best suited to their forest situation, while offering the Dutch consumer one unique hallmark. This is especially important because the main timber producing countries for the Dutch market (Finland, Sweden, Canada and Malaysia) have chosen not to make wide use of FSC, but have developed their own certification systems at a national level.

Although Keurhout was originally founded for the Dutch market, its approach has attracted a lot of international interest, especially from various countries in the European Union. It is, therefore, conceivable that the Keurhout concept has the potential to develop itself on an international level.

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[18] PEFC is, in fact, able to endorse both European and non-European schemes.

A global industry initiative for recognition of 'substantive equivalence' between standards and schemes – IFIR. Many industry players want a means for their regional or national schemes to be recognised as globally 'equivalent'. *The Mutual Recognition Initiative of the International Forest Industries Roundtable (IFIR)* is particularly active, aiming to be a 'bottom-up' counterveiling force to FSC's 'council'. So far, it is dominated by bigger industry players, notably in Canada, New Zealand and Brazil. Southern suppliers, research entities and Governments potentially have access to the process, but it has progressed only through a few expensive international meetings which have not involved them significantly.

Information initiatives – IIED/ANU and CEPI. An independent study by IIED and the Australian National University has offered a set of critical elements by which an effective, efficient, equitable and credible certification standard and procedures might be recognised. The approach is not so much 'are the forestry standards right?' as 'does the scheme have in place the right procedures to develop, implement and assess the standard so that it is suitable to the locality, acceptable to stakeholders, and can be impartially assessed?'

Table 2: Critical elements for the assessment of forest management certification schemes: Establishing comparability and equivalence amongst schemes

Themes	Critical elements and performance measures for certification
Accordance	Certification should: be consistent with internationally accepted principles of sustainable forest management; comply with any national and international policies, regulations and obligations which directly relate to sustainable forest management; and contain measurable performance standards (both quantitative and qualitative) that give effect to these requirements.
Access	Certification standards, principles and criteria must accommodate all forest types, and forest ownership and operational structures.
Participation	In general, participation in certification should be fostered. However, the level of participation should be appropriate to the particular stage of the certification process, with broader stakeholder involvement during establishment and dispute resolution stages, and narrower representation during accreditation and certification stages.
Accreditation	The accreditation of certification bodies should be consistent with internationally accepted methods of assessment and selection, for example, ISO/IEC Guide 61:1996.
Transparency	All stages of the certification process should be transparent. This includes the development of certification standards, criteria and principles, the operations of accreditation and certification bodies, and the non-commercial results of certification, in forms that are accessible and meaningful.
Independence	A clear separation of processes (but not necessarily institutions) shall exist between: establishing criteria and indicators; accreditation of certification bodies; and dispute settlement
Consistency	Both qualitative and quantitative standards, and certification procedures, should be clear, and easily understood, assessed and recorded. Standards and procedures should provide reliable and consistent information, so that the certification process should lead to the same result from different auditors.
Continuous improvement	To foster continuous improvement in sustainable forest management and certification processes, standards and procedures should be adaptive and regularly revised so that they may respond to new knowledge and changing demands.
Chain of custody and product labelling	Chain of custody procedures must be transparent, robust and verifiable by independent parties. The claims made by product labels should be clear and transparent. In the absence of mutual recognition and an agreed common label, labels should clearly distinguish alternative certification schemes.

Source: Kanowski et al 2000

Faced with the problem of multiple standards, the *Confederation of European Paper Industries* took a bold move to develop a comparative matrix of certification schemes. IIED was involved in its design. This matrix, which is updated twice a year, uses criteria similar to those above. In other words, it looks at the standard setting, implementing and assessment processes, rather than the contents of the standards themselves. It lays a strong emphasis on whether the scheme has used ISO guidelines for the various standard-setting and accreditation tasks. The matrix is available on www.cepi.org and is recommended for detailed comparison of certification procedures and governance. It focuses strongly on certifier credibility, as it is aimed at the buyer; it offers less coverage of the content of the standard (which the supplier would also want to know). CEPI's matrix should not be taken as definitive, however: CEPI lacks the resources to interpret information coming from the different standards bodies; and the certification scene is changing more rapidly than CEPI's review work.

CEPI is looking for an independent group to carry on this information service – STIC would make a good candidate.

It is clear that forest certification schemes are becoming more alike, or at least are being presented so that all requirements appear to be covered. A number of processes are leading to this – learning through research and conferences, competition between certifiers, the need to respond to criticism from NGOs, the availability of independent information such as that from CEPI, and the mutual recognition processes. The CEPI matrix, for example, shows considerable similarity between the two international schemes – FSC and PEFC.

B. Design and Implementation of forestry standards

Because of the multiplicity of certification standards, and their increasing similarity, FSC will be taken as the major example in this section. Key differences with other standards will be noted where relevant. First of all, the complexity of institutional arrangements of any certification scheme need to be noted – Figure 1.

Figure 1   Elements of Market Oriented Forest Certification
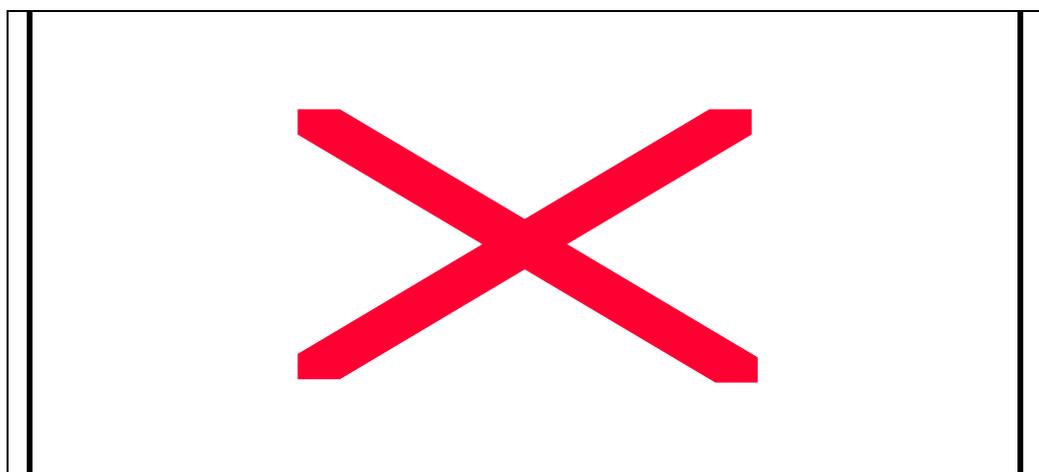
Source: Bass and Simula, 1999

1. The process followed in designing the standards

What methodology, participation and processes are used for designing standards? ISO guidelines for standards development were used in preparing FSC's global P&C, i.e. based on (1) consensus, (2) industry-wide coverage, (3) voluntary approach, and (4) periodic revision. In the preliminary stages of developing FSC's standard, consultations were carried out in ten countries, with a separate process for indigenous groups. ISO guidelines have subsequently been made integral to the work of the national FSC working groups charged with developing national standards based on the global P&C. Consequently, multi-stakeholder consultative groups have done FSC's standard-setting work, with a strong component of well-respected independent foresters involved. Recognising how contentious forest management can be, FSC and subsequent certification schemes have exceeded ISO's consultation guidelines – but it is notable that government agencies were not centrally involved with FSC (due to perceived government desire to promote lower standards, and to avoid certification standards being viewed as trade barriers). In addition, despite a fairly designed system, southern and small enterprises are under-represented in the FSC system (we may also note that ISO certification is dominated by industrial enterprises).

Field testing of FSC's standards initially received little attention, but the relevance of the standards in the field is now subject to regular review. (In contrast, the ATO, LEI and Malaysian approaches involved considerable field testing, helped in particular by the Centre for International Forest Research CIFOR). FSC members contribute to, and vote on, changes to the standard. Knowing that increasing attention is given to the credibility of certification schemes, subsequent certification schemes have tried at least as hard as FSC to be as participatory and scientifically sound, but the country-based schemes may have relied too much on adequate local practice as an indicator of forest standards (the rapid certification of almost all Finnish forests to PEFC-accepted standards suggesting that the degree of 'stretch' required by the Finnish standard was not huge).

What is the cost recovery strategy of the standard setting body? FSC's revenue derives from: fees charged to accredited certifiers, annual program fees from certified operations for use of FSC's logo, annual fees from its membership (of social, environmental and economic interests, many of which are not in the business of certifying or being certified), and grants

from governments, aid agencies and foundations These can be significant – the Ford Foundation has agreed a $10 million grant).

To what extent are different standards harmonised for the sector? The existence of FSC's global P&C, and an organised process of developing (sub)national standards consistent with those P&C, ensure good equivalence between FSC certified forests in, say, Germany and Ghana. All forests are covered in theory. However, there is a problem that is increasingly evident in smaller and/or community forests that are not primarily dedicated to commercial forestry. Such forests have livelihood roles to play; they may not adhere to scientifically-proven management principles; and the management system may not be documented. High levels of paperwork are a constant problem for smaller enterprises, especially in developing countries. All of this makes it difficult for their amanagement to be recognised in FSC's standard, and assessed in the field. FSC's social and group schemes working groups are dealing with these aspects; these working groups are making efforts to include people from developing countries even if they are not FSC members.

Issues of harmonisation between FSC and other standards are covered at 1.4 under 'Mutual recognition.

2. The process followed in implementing, monitoring and certifying to the standards.

What instruments are used for dissemination? The most powerful instruments for promoting the FSC standard come not from FSC itself but from WWF, the body that developed the early FSC idea, that organised the buyers' groups, and that has now formed a Forest Alliance with the World Bank with a target to greatly increase the global area under certified forests. National WWF offices, and now the World Bank to some extent, have offered considerable support to make FSC widely known, and to encourage FSC national working groups. Some of the bigger retailers have also done so. In contrast, PEFC and the national certification schemes of e.g. Brazil, Malaysia, Indonesia and now W/C Africa tend to promote their schemes through national industry bodies and government agencies (although the developing countries have been less successful here). They lack a voice that is as credible to the consumer as WWF – and indeed WWF is partly responsible for messages that the non-FSC schemes are not credible.

Are there alliances with information providers for conveying information? There has been remarkably little invested in independent information brokering. For a time, the European Forest Institute was making information available on a variety of certification schemes, through websites and publications – funded by EC development aid until the funds ran out. CEPI's comparative matrix is noted at 1.4, but is only useful for those in the industry. There are one or two 'certification watch' programmes that appear to be little more than spoiling initiatives. Much more needs to be done to get unbiased information about the schemes – and associated market information – to developing country players.

Who conducts the audit in the field and how is paid for? Procedures for conducting forest certification can be summarised as follows. At the voluntary request of the forest owner or manager, an accredited certifier conducts the following sequence of operations:

1. A pre-assessment or scoping visit (but guided self assessment for small forests is deemed acceptable to save costs)
2. Development of an interim local forest management standard if no national FSC standard exists (which can be expensive for smaller operations)
3. Stakeholder consultation before the main assessment

4. The main assessment – an independent audit of the quality of forest management, in a specified forest area, under one management regime, by assessing documentation, together with checks in the forest, and interviews with staff and stakeholders
5. Certification report production
6. Peer review of the report by a minimum of two independents
7. Certification decision, resulting in a certificate for a period; and/or a schedule of improvements
8. Production of public summary report (summary versions of both the certification report and the forest management plan which must be in English or Spanish irrespective of the local language)
9. Plus annual checks thereafter to maintain the certificate over five years.
10. Chain of custody certification may supplement forest management certification by verifying the links in the production process and supply chain, confirming a forest product's origin and that there is no contamination of non-certified wood.
11. Product labelling is permissible following the certification of both forest management and chain of custody.

All of these tasks are at the cost of the applicant forest enterprise. It can be seen that diseconomies of small scale count against small producers – hence FSC's and PEFC's development of group certification schemes where local conditions allow. However, few other short-cuts can be justified if the acuity and credibility of certification is to be maintained. Even for the very smallest operation, certification costs will not be lower than $1000 per year. Operating FSC certification is another cost of globalisation: the question is, are the benefits being realised for developing countries (see below)?

What dispute resolution procedures are available? Because FSC's standards are open to interpretation (we noted at the introduction that there is little certainty in best approaches to SFM) many certified forests have become the subject of eternal scrutiny by NGOs in particular (the opposite of what the enterprise had expected, i.e. that certification would quieten criticism for a few years). Comparatively few complaints are made. Initial complaints are addressed to the certifier by the complainant (and certifiers themselves are required to maintain independent panels to assist); if unresolved the issue moves to the FSC Secretariat; if still unresolved it moves to FSC's Board; if still unresolved to FSC's specially-constituted Dispute Resolution Committee for a final decision.

Does implementing the standard provide for a long-term commitment of the buyer to the supplier? When FSC certification took off through Buyers Group commitments, many retailers did not drop their existing suppliers, but stuck with them and helped them to become FSC-certified through financial and technical support. However, the implementation of the standard does not *de jure* provide for a long-term commitment of the buyer to the supplier.

What strategies do suppliers follow in implementing the standard? FSC certification has been retailer-driven rather than supplier-driven (or driven by investors or the insurance industry, which potentially are other options). Forestry companies have a range of motivations to be certified. Market motivations are highest if companies export to W Europe and especially the UK. Initially, market motivations focused on a premium, but this has been elusive – maintaining market access is now considered to be a realistic goal. Risk and reputation management, staff learning, and first-mover objectives have also been significant motivations for bigger companies. Access to land and resources has motivated smaller groups. However, some smaller/community groups have been certified at no real cost to themselves – supporting retailers, NGOs and donors have borne the cost, and consequently sustainable incentives are not clear for them.

3. The impacts to date – what difference has certification to FSC standards made ?

How much forest is now certified? Certification is increasing, but mainly by richer groups. 27 M ha have been certified under FSC. But 84% of this area is in industrialised countries, 85% of certificates are under large operations, and 83 per cent of the area is temperate and boreal forests. Taking all certification schemes together, about 100 M Ha have been certified, about 60% in Europe, 30% in North America, and 10% in developing countries. Thus the 'bigger, richer' groups and countries seem to benefit most.

What have been the trade impacts to date ? These are significant, but limited to some products and markets. Certified forest products account for about 20% of UK trade in wood products, less than 5% in the EC; and 1% in the USA. So far certified products have been dominated by sawn wood and solid wood products in the home improvement market, which is the major market of many of the buyers' groups members. Little change has occurred in the important construction timber and paper markets – the latter presenting difficulties in chain-of-custody certification. Small markets are emerging for certified non-timber products (e.g. fruits and nuts).

However, there has been very little impact on the big, domestic markets of countries with significant forest problems and related forest livelihood needs (e.g. Brazil and India). Interestingly, forest certification cases have not yet been brought before the WTO Technical Barriers to Trade (TBT) panels, suggesting the potential trade barrier problem is being contained.

What have been the impacts of FSC's standards on corporate accountability and practice?[19] For most companies, FSC certification has improved the capacity for transparency, has consolidated ongoing environmental improvements, and has kick-started improved thinking on social issues. FSC certificates have identified existing good practice in the field – mainly in richer countries and companies. On-the-ground improvements are more limited, tending to focus on some environmental provisions (specifically assessments, safeguards, set-aside of sample areas, and written guidelines were required in about 40 per cent of cases). In essence, the *forest impacts are modest – mainly pointing to currently good producers.*

Most companies would point to FSC certification helping to improve *management capacity* – even in bigger operations:

- o training and supervision to implement management plans and research and data collection to assist monitoring and assessment
- o streamlining management system procedures and filling gaps
- o developing staff skills, through both certification-related training, and through auditors, acting as a useful bouncing board for staff on forest practices
- o improving the company's status and ability to deal with other stakeholders –helping them to make their businesses stakeholder-focused instead of just asset-focused.
- o positively influencing cost-effectiveness all-round, e.g. in stock control and occupational health and safety

However, for those corporations interviewed by IIED, FSC certification was considered to have brought fewer capacity-building benefits than ISO 14000. ISO 14000 has helped corporations to get their management systems together prior to FSC certification. Most large companies then start FSC certification by getting one area or one division certified first and using that experience to inform further certification.

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19 This section is largely from Bass S. 2001. Forest certification and the Forest Stewardship Council. Presentation to RIIA conference 15-16 October 2001 'Corporate social responsibility – from words to action'

Many NGOs worry that certification of some primary forests has worked against the need to increase protected areas. In other words, certification has eased the path to the use of forests that really should not be considered for logging. Certainly, the landscape level aspects of sustainability have not been as well covered in certification standards as those at stand/site level.

More worryingly, certification has *not offered incentives that would change the behaviour of 'asset-stripping' companies*. Thus, whereas FSC's genesis lies in concerns about bad, asset-stripping forestry (to the right of Figure 2), its practice has focused on identifying and rewarding good producers (to the left). Most of the investment in time, money and emotion has been on competition between excellent producers just above the FSC threshold of acceptable forest management, and good producers just below it. To avoid 'the best becoming the enemy of the good', the *need for several thresholds in the certification standards* (step-wise approaches), instead of a 'make-or-break' approach is therefore being discussed outside FSC. Some system is required for 'reaching down' to those producers who practice poorer forest management – even the asset-stripping loggers. This would involve both stepwise standards, and incentives to progressively 'ratchet up' producers from lower levels to higher levels (as under Indonesia's LEI – see 3). This is all consistent with certification's principle of continual improvement. [20]

Figure 2   Illustration of how FSC certification has developed
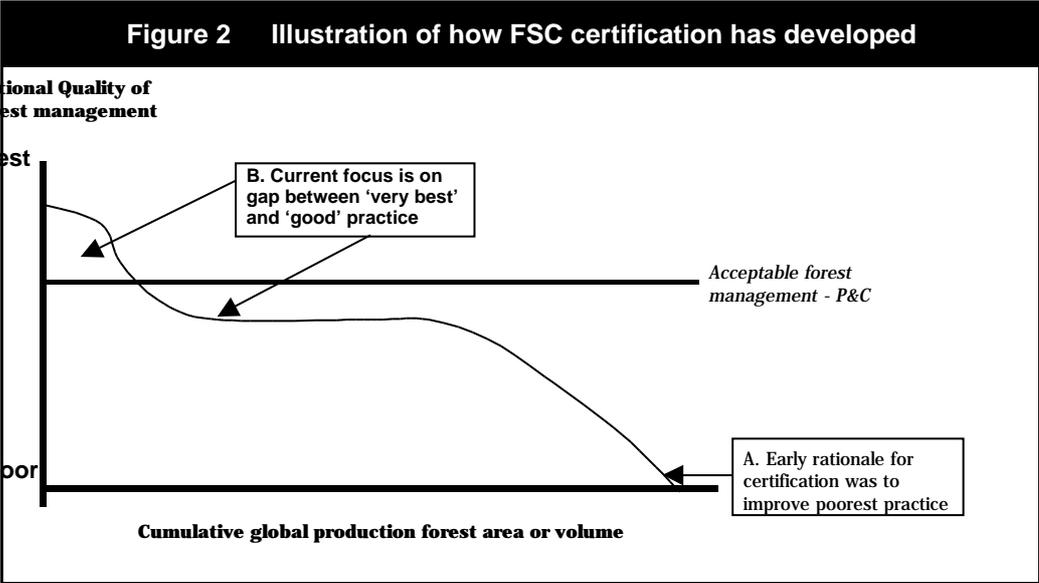
NB The curve is illustrative only, as there is little empirical basis on which to construct a precise one.
(*Adapted from Kanowski, Sinclair, Freeman and Bass 2000*)

What conclusions can be made about FSC's equity impacts? Certification has brought about many equity benefits, notably through bringing a wider range of stakeholder interests together in standard setting, policy definition, and forest planning. At the level of individual certificates, certification has also attempted to ensure equitable outcomes of forest management, by assessing the impacts on vulnerable social groups through the certification process. And it has promoted corporate social responsibility by stressing that good forest management must incorporate social concerns to be viable. Smaller producers, when certified, have occasionally found themselves being given due recognition by e.g.

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[20] However, the marginal costs of certification might be expected to rise as attention turns, necessarily, from the 'good' operators, to the 'fair' operators and ultimately the 'poor' operators. At some stage, this marginal cost may exceed both public and private benefits.

government in land claims and consultation procedures and, of course, potentially there is a level playing field for certified trade.

Despite many equitable outcomes, several equity problems have arisen. We have noted that FSC certificates are dominated by bigger, Northern producers who have the resources to implement FSC standards on large tracts of land. Smaller producers tend to be more intimately wrapped up in local social issues, which are not always well understood by FSC certifiers or reflected in the standards. And FSC has recognised under-representation from the South and in the social chamber, and the economic chamber remains dominated by representatives of large companies.

Economies of scale – certification is a regressive instrument: In general, small producers find FSC certification and associated (export) markets more difficult to access. The fixed costs of certification and of improving management to meet certification standards are higher for smaller producers, who do not always have the necessary formal management and reporting systems. The financial benefits are not high for those not exporting to European markets. However, group certification schemes are emerging to share costs and improve local coalitions.

The standards assume a western, scientific approach to forestry: The FSC standards are long – 10 principles and 52 criteria, elaborated by national requirements which may add up to 30-40 pages. Their language assumes formal forestry training. Interpretation is left deliberately open (they are not prescriptive) again requiring skills and experience. The standards do not recognise some of the more complex land use systems of livelihood-based forestry, and are vague about the boundaries of social responsibility. Not informed by livelihood realities, certification stresses 'no apparent negative impacts' in its social standards rather than positive livelihood benefits. Finally, there is a lack of provision for smaller groups: indeed, why should small (community) forest enterprises who operate occasionally on their own land be held just as accountable as MNCs producing millions of cubic metres on leased land?

Problems with interpretation by (foreign) certifiers: Assessors have tended to be much weaker on social assessment than on environmental issues, sometimes applying some curious 'social engineering' to certificates of community enterprises. They have sometimes been blind to the fact that export-oriented certification has effectively banned 'unplanned' (but locally desired or at least tolerated) activities in the forest so that e.g. women no longer have easy access to firewood. In addition, certifiers have issued conditions that demand external assistance if they are to be fulfilled, which is expensive for local groups and sometimes erosive of local knowledge.

Cost-benefit distribution: Retailers are demanding certified wood but are not paying the costs, which are being borne at the producer end of the supply chain.

C. Information exchange and trade facilitation--forestry

What is the most important information requirement for Southern suppliers?

There is a basic requirement to understand the content of the various forest management standards being promoted. But as these different standards are converging anyway, and they are close to the intergovernmental C&I, this is not the biggest information lacuna. Instead, suppliers want access to good, impartial advice about certification schemes and their associated markets.

Information about *certification schemes*, and their associated benefits, costs and risks, is not readily available from the kinds of source that Southern suppliers would normally look to (CEPI, EFI and IIED have done something in the past, but this does not get to the supplier – especially the smaller groups). WWF and the World Bank have more influence, but do not offer impartial advice.

Information about certified markets is constrained by the fact that there is no good central source of forest market information anyway. In general, this is characterised by multiple bilateral links and 'old boys' networks'. There is only one web-based trading service, for example. Commonly asked questions include:

• Which certification schemes are likely to be well-established in the market for the future – i.e. whose standards to base production on?
• Which markets are demanding which certified products?
• How mature and stable are those markets?
• What is the differential effect of certification in the market niche – access or premium?

Two ideas for a Sustainable Trade and Innovation Centre include:

1. *Starting a web-based market information system linking suppliers and buyers of sustainable forest products.* In other words, whilst it is a tall order to improve transparency in forest products markets in general, there is both practical scope and a value-driven imperative to do so in the one area which ought to promote transparency – sustainable products

2. *Taking on CEPI's information system comparing existing certification schemes.* As noted at 4, CEPI has been looking for a candidate (European) institution to maintain its independent information service. The service would, however, have to be set up in a way which is useful for both buyers (which CEPI aims for) and suppliers (for which CEPI's matrix is not as much help)

This area is rapidly developing. One-off comparative documents are dangerous given the rapid evolution (and almost all of them focus on schemes operating in the USA). 'Live' information is essential.

Finally, whilst small producers in particular have not shown willingness to pay for certification or for information on it (those who have been certified have been subsidised by donors or buyers) forest industry and trade associations in some developing countries with significant forest exports have expressed willingness to engage in more efficient means of information access. At present, they often employ staff who have access only to inefficient technology. ITTO, which has a market intelligence section to support tropical timber producers and consumers, may well be interested in discussing this with STIC.

TOURISM

A. Identification of tourism standards

There is a plethora of tourism standards around the world, including general charters and principles, codes of conduct and guidelines, eco-labelling and certification programmes, benchmarking and best practices, quality ratings and environmental awards operating from international to sub-national or sector specific level. Many of the standards focus on accommodation, and in particular on hotels, but there are also very specific standards covering, for example, beaches, tour guides, protected areas and tour boats in the Galapagos Islands. Honey and Rome (2001) note that there are over 250 voluntary initiatives including over 100 ecolabelling or certification schemes. The following sections provide a broad (but by no means comprehensive) overview of the different types of standards in existence. In general terms there has been a move from process based schemes to performance based although most are now a mix of the two.

General, international principles/proclamations

- The **Tourism Bill of Rights and Tourist Code**, adopted by WTO members in 1985, established standards of conduct for States, tourism professionals and tourists on the issue of sexual exploitation. One of the most important elements of this tourism policy document is a call upon States and individuals to prevent any possibility of using tourism to exploit others for the purpose of prostitution.

- The **Charter for Sustainable Tourism** was developed at the World Conference on Sustainable Tourism, held in Lanzarote in 1995. The 18-point Charter calls for tourism development to be based on principles of sustainability and to contribute to sustainable development with particular attention paid to the role and the environmental repercussions of transport in tourism, and to the development of economic instruments designed to reduce the use of non-renewable energy and to encourage recycling and minimization of residues in resorts.

- In 1996 The World Tourism Organisation, the World Travel and Tourism Council and the Earth Council produced a report entitled "**Agenda 21 for the Travel and Tourism Industry**: **Towards Environmentally Sustainable Development**" which translates Agenda 21 into a programme of action for the industry. It sets out priority areas for travel and tourism companies and for government departments, national tourism authorities and trade organisations within the overall aim of developing a sustainable tourism programme

- The UN Commission on Sustainable Development at its seventh session in 1999 considered tourism as an economic sector and held a multistakeholder dialogue on the topic. The Commission adopted **decision 7/3 on tourism and sustainable development**, which includes an international work programme on sustainable tourism development. The implementation of the programme will be reviewed in 2002 as part of the 10-year review of progress achieved since UNCED.

- The 1999 **Global Code of Ethics for Tourism** was prepared by the World Tourism Organisation following two years of wide consultation with the industry. The code includes nine articles outlining the "rules of the game" for destinations, governments, tour operators, developers, travel agents, workers and travellers themselves. The tenth article involves the redress of grievances and marks the first time that a code of this type will have a mechanism for enforcement. It will be based on conciliation through the creation of a World Committee on Tourism Ethics made up of representatives of each region of the world and representatives of each group of stakeholders in the tourism sector-governments, the private sector, labour and non-governmental organisations.

- Draft **Principles for Implementation of Sustainable Tourism** were developed by UNEP in 2001 to move the debate on sustainable tourism forward from defining what it is, to putting it into practice. The proposed Principles cover: Integration of Tourism into Overall Policy for Sustainable Development ; Development of Sustainable Tourism; Management of Tourism; Conditions for Success

General codes of conduct

ECONETT – an environmental information service established by the World Travel and Tourism Council - identifies over 50 codes of conduct alone, including those aimed at tourists, at tourism companies and, in the case of WTTC, ay government. International codes include:

- Africa Travel Association - **Responsible Traveller Guidelines** – advice to tourists on their, and their travel company's, environmental and socio-cultural impacts and how to reduce them.

- American Society of Travel Agents' (ASTA) **Ten Commandments on Eco-Tourism**: distributed by the American Society of Travel Agents to all customers who book holidays through their members' branches.

- International Hotels Environment Initiative (IHEI) **Charter for Environmental Action in the Hotel & Catering Industry** : a charter promoting sound environmental practice, signed by 11 international hotel groups.

- Friends of Conservation: **Conservation Code - Don't Leave Home Without it**! A code of conduct for tourists which includes recommendations ranging from not smoking while on a game drive to asking your driver to stay on the designated tracks.

- European Tour Operators Association (ETOA) **Environmental Guidelines** - developed and promoted by ETOA in 1992 in recognition of changing EC policy towards the impact of industry sectors on the environment and aimed at both tour operators and tourists.

- **Guidance for Visitors to the Antarctic**: Attachment to Recommendation XVII-I adopted at the Antarctic Treaty meeting in Kyoto in 1994 together with the Guidance for Those Organising and Conducting Tourism and Non-Governmental Activities in the Antarctic.

- World Travel and Tourism Council (WTTC) **Environmental Guidelines**: promoted by WTTC to tourism companies and to governments with the request that they be taken into account in policy formation. The guidelines have been prepared taking into account the International Chamber of Commerce (ICC) Business Charter for Sustainable Development.

Standards

1. Government (Technical) Regulations

- Criteria referring to working conditions specifically in the hotel and restaurant sector can be derived from the **ILO "Working Conditions (Hotels and Restaurants) Convention,"** of 1991 (No. 172), which covers: working hours and overtime provisions; minimum daily and weekly rest periods; advance notice of working schedules; holiday provisions; and regular minimum remuneration.

- The **ILO Recommendation No. 179**, adopted in conjunction with Convention 172, addresses the need for training and re-training of the work force in hotels and restaurants, as well as for cooperation between workers, employers and governments to reach this goal.

- The **EU Directive on Package Travel** was agreed in 1990. It sets out EU wide consumer protection standards for consumers purchasing package holidays. This is implemented differently in different Member States. In the UK it was brought into force in the UK under the **Package Travel Regulations** 1992. These regulations make UK tour operators responsible for the safety of the clients while overseas. As a result there has been a significant thrust, by the big operators at least, to only using suppliers that conform to prescribed health and safety standards.

2. Non-Mandatory Standards (voluntary initiatives):

2.1 Individual Business Action

- **British Airways Tourism for Tomorrow Awards**: annual awards in a number of categories including mass tourism, community tourism, protected areas etc. Criteria reviewed each year but include environmental and social standards.

- **FTO Preferred Codes of Practice** – the UK Federation of Tour Operators, which represents the "Big 4" UK tour operators has developed a series of "Preferred Codes of Practice" relating to health and safety which suppliers are expected to comply with. The codes cover general safety (including recommended height of hotel balconies, cleanliness of facilities, guest security etc), beach safety, hurricane safety, fire safety, pool safety and food hygiene.

- **KLM Royal Dutch Airlines Corporate Environmental Care System**: a 13 point statement of KLM's environmental policy focussing on environmental management including supply chain management and employee training and awareness raising.

- **TUI Environment Initiatives** – TUI is the largest tour operator in Europe, and operates worldwide. It has incorporated environmental and (more recently) socio-economic criteria as part of its purchasing policy based on the assessment of suppliers against an environmental checklist. TUI's brochures provide the results of this survey for all the holidays they sell so that customers are able to make choices on this basis if required.

2.2 Collective Business Initiative

- **AITO Responsible Tourism Guidelines**. The UK Association of Independent Tour Operators (AITO) has recently produced a set of responsible tourism guidelines forcussing on environmental and socio-economic issues and it is expected that within a few years membership of the Association will be dependent on signing up to the guidelines.

- **Austrian Ecolabel for Tourism Organizations**: developed by Government and sets environmental and social standards for food and accommodation facilities

- **Blue Swallow**: Mainly northern European (plus Italy) standard for hotels focussed on environmental management and accessibility by public transport. Established by a tourism association which produces a travel magazine, though which the provision of publicity seems to be the main motivation.

- **David Bellamy Conservation Award** – for holiday parks, campsites etc in the UK. Administered by the Parks Association.

- **Destination 21, Denmark** – has developed criteria for ecological, economic and socio-cultural sustainability in Danish destinations.

- **Green Flag for Green Hotels** – European scheme based on ISO 14001

- **Green Globe 21** – established by the World Travel and Tourism Council based on Agenda 21 principles and applicable globally. Also works in association with a number of national and regional certification programmes such as the Pacific Asia Travel Association's Green Leaf scheme.

- **Green Leaf** developed by the *Pacific Asia Travel Association* and aimed at all types of tourism companies world-wide. It is based on compliance with a Code for Environmentally Responsible Tourism. Certified members of PATA are awarded 1-3 green leaves depending on the extent of their compliance with the code. Criteria are very general and PATA members are encouraged to adopt their own environmental guidelines. Green Leaf has recently merged with Green Globe 21.

- **Green Tourism Business Scheme** – this is a Scottish scheme for a range of tourism businesses from hotels to visitor attractions. There are 3 levels of award – bronze for businesses which meet 30 out of 100 criteria, silver for meeting 42 and gold for 60. Some measures are compulsory and others voluntary.

- **IH&RA Environmental Award** – developed by the International Hotel and restaurant Association, the International Hotel Environment Initiative and UNEP and applicable globally. The Award has a different theme (eg energy saving, pollution reduction etc) each year and hence different criteria

- **International Environmental Award** – developed by the German Travel Agents and Tour Operators Association and applicable to destinations, facilities, tour operators and discrete tourism "projects" worldwide.

- **International Hotel Association Environmental Action Pack** - a practical guide to introducing an EMS into hotels including a Green Health Check against which hotels can rate their environmental performance

- **Nature and Ecotourism Accreditation Programme (NEAP)** – developed by the Australian Ecotourism Association and Tour Operators Network for tours, attractions (eg parks) and accommodation. Has a set of principles with assessment criteria (process and performance based) which reflect 3 categories of accreditation: Nature tourism, ecotourism and advance ecotoruism. Alliances have also been developed with programmes that certifiy businesses and guides. Now run just by the Ecotoruism Society. A similar programme is being developed in Fiji.

- The UNEP-supported **Tour Operators Initiative** has signed an agreement with the **Global Reporting Initiative** (GRI) establishing a partnership to produce a tour operator's specific supplement to the **GRI 2002 Sustainability Reporting Guidelines**, providing tour operator's specific performance indicators. Performance indicators focusing on destination management, addressing tour operators' influence and impacts on the visited destinations, will be developed in parallel.

2.3 Civic Regulation

- **Biosphere Hotels** – applicable globally to hotels and resorts linked to Biosphere Reserves, but so far only implemented in Canary Islands. Established by the Responsible Tourism Institute, a non-profit organisation, and backed by UNESCO Man and Biosphere programme.

- **Blue Flag** – run by Foundation for Environmental Education in Europe in partnership with EC, UNEP, World Tourism Organisation, International Life Saving Federation and other national level institutions. Certifies quality of beaches and marinas (so applicants can be local authorities or private owners) including water quality, environmental education, environmental management, safety and services. Developed for Europe (and has made a major contribution to the implementation of the European Bathing Water Directive) but extending to other parts of the world. Standards are performance based and include compulsory and optional criteria.

- **Committed to Green** – environmental management label for golf courses and other sports facilities in Europe

- **Environmental Quality Mark for Alpine Club Mountain Huts** – awarded by Alpine Club of Germany based on environmental criteria

- **Gites Panda** – label awarded by WWF to Gites set in regional or national protected areas. Administered jointly by Gites de France (industry) WWF (NGO) and the Federation of Regional Nature Parks of France (Parastatal). Based on environmental and quality criteria.

- **Green Deal** – covers the Peten region of Gutaemala and includes accommodation, tour operators, transport, guides and communities. Includes generic process based standards many of which parallel ISO requirements plus sector specific performance based criteria including quality control, environmental and socio-cultural issues. Developed by Conservation International and Asociacion Alinaza Verde – local NGO.

- **Horizons** – an ecotourism accreditation scheme in Saskatchewan province, Canada operated by the Ecotourism Society of Saskatchewan and the local Tourism Authority. Performance based criteria mainly focussed on environmental issues but also including local economic benefit, staff training, interpretation etc

- **IHEI Hotel Benchmark** – developed in association with WWF and Biffaward, the International Hotel Environment Initiative benchmarking tool allows hotels to measure and monitor their environmental performance.

- **SmartVoyager** – a certification programme administered by Rainforest Alliance in partnership with Corporacion de Conservacion y Desarrollo, an Ecuadorian conservation group, which aims to minimise the impact of tour boats in the Galapagos Islands. Standards are a mix of ISO 14001 and performance based and include pollution control, procurement and supply chain management, staff training and other employee conditions, passenger codes of conduct, health and safety.

2.4 Independent Standard-Setting Initiatives

- **CERES Green Hotel Initiative** : CERES have developed a Best Practice Survey, a list of criteria that assesses a hotel's environmental performance. Information is provided to tourism buyers interesting in negotiating contracts with the hotels. Decision-makers can then choose hotels that meet all of their business needs, including their own organization's environmental preferences.

- **Crystal Grading Scheme** is run and monitored by SABS TOURISM, under the auspices of the South African Bureau of Standards. Tourism establishments are rated and awarded crystals according to the quality of their bedrooms, bathrooms, exterior, public areas, restaurant and most importantly, service.

- **ECOTEL** – established by HVS Eco Services and applicable to hotels worldwide. Considered by many hoteliers to be the industry's most credible, and highest, standard. Five separate inspections (environmental commitment; waste management; energy efficiency; water conservation; employee education and community involvement) are each awarded by a globe logo. Within each of 5 globe inspection areas, there are 3 levels of ecological and social criteria (primary, secondary, tertiary). The primary and secondary levels are mandatory ; the tertiary criteria are used like a bonus system. Every applicant must satisfy all of the criteria of the Environmental Commitment globe and at least another globe award to become an ECOTEL certified hotel. Despite over 1000 applicants only about 40 have been certified at all and only 5 have 5 globes (in New York, Costa Rica, and India).

- **Lever camping competition** – developed by detergent manufacturers, Lever, for campsites in Germany. Main focus of the scheme if on water conservation.

- **SFS Ecolabelling** – operated by the Nordic Ministry Council, this is a generic ecolabel with specific criteria for different products, one of which is hotels (Known as **Nordic Ecolabelling of Hotels** or **Nordic Swan**).

2.5 Policy-Driven Initiatives

- **Certification in Sustainable Tourism (CST),** Costa Rica. Developed by the Costa Rican Tourism Institute, but also forms part of the National Strategy for the Development of Sustainable Tourism. Sets standards (mainly performance based)for environment, internal company management systems, local community relations and customer relations. Applicable to all accommodation establishments. In June 2001

six Central American countries agreed to promote a single regional certificate based on CST.

- **Ecolabel for the Luxembourg Tourism Organizations**: established by the Ministry of Tourism and supported by three ministries (tourism, environment, energy). Covers Luxembourg only.

- **Ecotourism Symbol Alcudia** – environmental standard developed and administered by local government of the municipality of Alcudia in Majorca, Spain. Interesting example of a local level initiative.

- **Quality Tourism Project for the Caribbean**. A recent initiative of the Caribbean Alliance for Sustainable Tourism which aims to develop Caribbean-wide Environmental Health and Resource Conservation Standards including: management policies and practices, health and safety, food hygiene, environmental management, community collaboration, coastal and natural are a management.

2.6 Partnership Initiatives

- **Environmental Seal of Quality**, Tyrol and South Tyrol, Austria and Italy. Established by the Government of the State of Tyrol and implemented in conjunction with Chambers of Commerce and Agriculture and tourism industry associations). There are around 100 criteria – mainly environmental – but interesting elements include linkages with local farmers producing environmentally friendly products, use of local products etc

- **Green Key** – previously a Danish initiative, Green Key now operates under partnership with Green Globe and covers tourism establishments in Northern Europe. It was developed as a partnerships between industry, NGOs, unions, the government Environmental Protection Agency and the Danish Tourism Council. Font et al (2001) note that this multi-stakeholder participation in criteria setting is key to the label's success.

- **PAN Parks** – a label for protected areas developed by WWF, various protected area authorities in Europe and the Dutch leisure company Molecaten Group. Based on quality standards balancing nature conservation and tourism.

- **Qualmark**, New Zealand – a joint private (Automobile Association) public (Tourism New Zealand) initiative. Generic and sector-specific performance based criteria including health and safety, environment, local community relations, customer satisfaction etc. Intended to be compatible with Green Globe 21.

As a service sector, standards for tourism are somewhat different to standards for products. A 1998 Forum on Tourism Standards organised by ISO and the World Trade Organisation Services Division noted that "unlike products, the human factor, cultural, historical and social conditions, are paramount considerations …. standardization should not impose a value judgment on the quality of the content of the service, which should be left to the consumer, whose interests differ from country to country and culture to culture". Font (2001)[21] also notes

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[21] Xavier Font contribution to Bass, Font and Danielson. 2001): Standards and Certification - A leap forward or a step back for sustainable development? In *The Future is Now Volume 2*. IIED, London

that tourism "products" are different in that they are: *intangible* – they cannot be touched; *perishable* - if a hotel bed or an airline seat is not sold, this cannot be stored for another day like many products can; often *publicly owned*, and have no usage price; *inseparable* so that sometimes the setting and location have more importance than the product itself (i.e. you pay mainly for the view, not for your drink or dinner); and *heterogeneous*, meaning that they are composed of many experiences, and each tourist that goes to the same destination can return having done quite different activities and with different impressions. This makes it very difficult to standardise product quality or to ensure that minimum standards or benchmarks in environmental and social quality are met.

B. Design and Implementation of Standards: Case Study of Green Globe 21

While drawing on examples from a range of standards, this section focuses on Green Globe 21, the only generic (ie not hotel specific) international scheme, and the most widely recognised, currently in existence for the tourism sector.

1. Design

Tourism standards are a relatively recent phenomenon and certification only really took off in 1998 (Font 2001). Standards build on earlier work on codes of conduct in the 1980s and early 1990s, self help guides and manuals and, recently, certification and benchmarking. There is no common methodology for designing standards, although Font and Tribe (2000) present a generic 3-phase approach (see box).

Process for Developing a Tourism Ecolabel

Phase 1: Positioning and Planning

•   Situating among other awards and other instruments

•   Initial fact finding

•   Identifying stakeholders

•   Scoping potential awardees

Phase 2: Development and Consultation

•   Environmental Impact evaluation

•   Adaption of generic systems to sector-specific impacts

•   Criteria selection and development of sector-specific manual

•   Consultation

•   Piloting

•   Writing manual for verifiers

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contribution to Bass et al.(2001)

> **Phase 3: Marketing and Management**
>
> • Budgeting
>
> • Negotiating with awarding bodies
>
> • Negotiating funding
>
> • Marketing
>
> Source: Font, X. and Tribe, J. (2000) The Process of Developing and Ecolabel. In Font, X. and Buckely, R. *Tourism Ecolabelling.* Oxford, CABI Publishing

Honey and Rome (2001) note that over the last two decades "trade associations, travel magazines and guidebooks, environmental and community-based NGOs, governments, the World Tourism Organisation, the United Nations Environment Programme and international financial institutions have adopted a wide variety of initiatives, mostly voluntary, designed to set standards and give awards for environmentally responsible practices." Synergy (2000) notes that tourism certification programmes have, for the most part, been developed by the industry itself although section A above illustrates the importance of civil society in driving the process.

The **Quality Tourism for the Caribbean (QTC)** standards are being developed by the Caribbean Alliance for Sustainable Tourism, a non-profit subsidiary of the Caribbean Hotel Association and partner of Green Globe 21, in collaboration with the Pan America Health Organisation and the Caribbean Epidemiology Centre. The Costa Rican **Certificate for Sustainable Tourism (CST)** was developed by a Costa Rican business school student drawing on a number of other models. Green Globe was established by the World Travel and Tourism Council[22] in 1994 with the specific intent to avoid government regulation or other third party certification (Honey and Rome 2001). The Green Globe 21 standard was launched in 1998 with criteria based on the WTTC/ World Tourism Organisation/Earth Council version of Agenda 21 for the travel and tourism industry published in 1996.

2. Cost Recovery

Synergy (2000) notes that "with very few exceptions (national programmes where the government is prepared to subsidise the costs) and in common with international standards, certification programmes charge some type of membership fee. This is usually structured according to the company size and, where different grades of certification are available, the level of certification applied for." The cost of membership varies significantly from scheme to scheme and many programmes do not openly disclose their membership fee structure other than to potential candidates. In addition to the membership fee, many schemes also charge an additional fee for the audit itself and for complementary services such as training programmes.

Many schemes have a graded fee structure – for example Green Globe 21 charges according to the size of the company, while the **Australian National Ecotourism**

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[22] The WTTC which describes itself as "the Global Business Leaders' Forum for Travel and Tourism". Its Members are Chief Executives from all sectors of the Travel and Tourism industry (but predominantly big companies), including accommodation; catering; cruises; entertainment; recreation; transportation; and travel-related services.

Accreditation Programme (NEAP) charges on the basis of annual turnover. The Costa Rican CST scheme is subsidised by the Costa Rican government as part of their strategy to promote sustainable tourism. Registration and an initial evaluation is free to all companies regardless of size (http://www.turismo-sostenible.co.cr/EN/participar/hoteles/como-participar.shtml).

Table 3: Green Globe 21 Fees (US$)

	For Companies	For Communities
Affiliate	100	from 1000
Benchmarking*	from 200	from 5250
Certified*	from 200	from 5250
Suppliers/Professionals	100	

* Conditions--companies
Affiliates - standard fee per unit.
Benchmarking & Certification
  - Micro (less than 10 employees)
  - Small (greater than 9 but less than 50 employees)
  - Large (single unit with more than 50 employees)
  - Corporations (multiple units)
    Head Office & Benchmarking for 25 units or
    Head Office & Affiliate for 75 units. Additional Affiliate Units @ £50.00
* Conditions--communities
Standard fee for communities with 30,000 to 250,000 residents.
Population less than 30,000 - 30% discount on fee.
Population greater than 250,000 - 30% surcharge on fee.
Population greater than 1 million quoted individually for Benchmarking & Certification - fee base £15,000 or US$22,500

Source: Green Globe Website - htttp://www.greenglobe21.com/index_cp.html

3. Harmonisation

Concern has been expressed by many stakeholders about the proliferation of tourism standards and the difficulties this poses both to industry in deciding which scheme to apply to and to consumers in understanding what the different schemes mean and how they compare. Green Globe has attempted to address this issue by merging with (or in the words of Honey and Rome 2001) "swallowing up" a number of smaller schemes – eg the the Pacific Asia Travel Association Green Leaf scheme – which then have to become compatible with Green Globe standards.

Over the last couple of years discussions have taken place – many driven by international NGOs – around the issue of developing a global standard for tourism. Honey and Rome (2001) have argued that this should be based on a model for *Sustainable Tourism* rather than a "weaker, process-based mass tourism certification or a more rigourous but more specialised ecotourism certification programme." However they suggest that in countries or states where ecotourism and nature tourism are especially important, "an ecotourism certification scheme might well exist alongside, or as a distinct level within a sustainable tourism certification programme". They also note that any universal certification framework should be flexible enough to incorporate local and regional conditions and so while there might be an international set of principles these should be tailored to the specific context in which they are applied through a broad-based stakeholder consultation process.

Two recent initiatives are intended to be a significant step towards harmonisation of the various existing schemes. In November 2000, the Washington DC based Institute for Policy Studies hosted and international workshop on sustainable tourism and ecotourism certification. This was attended by 45 participants from 20 countries including representatives of most of the well known certification schemes currently in place. The workshop produced a unanimously agreed document – **The Mohonk Agreement: Framework and Principles for the Certification of Ecotourism and Sustainable Tourism**. This provides a common framework on which any new certification programmes should be based, albeit then tailored to fit specific conditions.

The Mohonk Agreement: Sustainable Tourism Criteria

In any certification scheme, the criteria used to define sustainable tourism should address at least minimum standards in the following aspects (as appropriate):

Overall
- Environmental planning and impact assessment has been undertaken and considered social, cultural, ecological and economic impacts (including cumulative impacts and mitigation strategies);
- Environmental management commitment by tourism business;
- Staff training, education, responsibility, knowledge and awareness in environmental, social and cultural management;
- Mechanisms for monitoring and reporting environmental performance;
- Accurate, responsible marketing leading to realistic expectations; and
- Consumer feedback.

Social/Cultural
- Impacts upon social structures, culture and economy (on both local and national levels);
- Appropriateness of land acquisition/access processes and land tenure;
- Measures to protect the integrity of local community's social structure; and
- Mechanisms to ensure rights and aspirations of local and/or indigenous people are recognised.

Ecological
- Appropriateness of location and sense of place;
- Biodiversity conservation and integrity of ecosystem processes;
- Site disturbance, landscaping and rehabilitation;
- Drainage, soils and stormwater management;
- Sustainability of energy supply and minimization of use;
- Sustainability of water supply and minimization of use;
- Sustainability of wastewater treatment and disposal;
- Noise and air quality (including greenhouse emissions);
- Waste minimization and sustainability of disposal;
- Visual impacts and light;
- Sustainability of materials and supplies (recyclable and recycled materials, locally produced, certified timber products, etc.); and
- Minimal environmental impacts of activities.

Economic
- Requirements for ethical business practice;
- Mechanisms to ensure labor arrangements and industrial relations procedures are not exploitative, and conform to local laws and international labor standards (whichever are higher);
- Mechanisms to ensure negative economic impacts on local communities are minimised and preferably there are substantial economic benefits to local communities; and
- Requirements to ensure contributions to the development/ maintenance of local community infrastructure.

Participants at the Mohonk workshop also endorsed a proposal by the Rainforest Alliance to conduct a feasibility study for the development of an international accreditation body – the **Sustainable Tourism Stewardship Council (STSC).**

The project, due to be completed in late-2002, is funded by the Ford Foundation with the following objectives:

1. Stakeholder participation: Identify and recruit stakeholders including representatives from non-governmental organizations (NGOs), certifiers, multilateral funding agencies, governmental entities, and members of the tourism industry to participate in the discussions concerning the viability of a sustainable tourism accreditation body. Ensure that the project involves all the stakeholders, maintains an open and participatory approach, and perform the necessary actions to ensure good participation. This objective has included regional consultation workshops.

2. Market demand: Assess the demand for accreditation services and analyze the causes that are effecting the demand. Determine what the various stakeholders -- consumer, tourism operators, certifiers and ultimately countries and regions -- need from an accreditation system.

3. Financial sustainability: Undertake a benchmarking study of other financial models implemented by relevant accreditation agencies. Study the financial feasibility, provide potential scenarios, and recommend a financial model for establishing and maintaining an accreditation organization.

4. Organization and implementation: Produce a report on the most effective organizational structure and financial model, with the necessary timing and staffing implications, for a sustainable tourism accreditation body, as well as the steps for its implementation. Study the feasibility of defining minimum international accreditation standards.

If following the study, the proposed STSC is considered to be feasible, it will set international standards for certification of tourism industry organizations that want to claim being sustainable or practicing ecotourism. The project is currently at the stage of putting together a first draft proposal on the basis of a series of regional multi-stakeholder consultations. The draft proposal will be presented at the International Year of Ecotourism Summit in May 2002.

4. Implementation, monitoring and certification

Green Globe was originally launched as an "environmental awareness " programme with no standards or criteria and no verification that environmental issues had been addressed or targets met. Green Globe was effectively a membership organisation. Companies paid $200 to join for which they received information on reducing energy consumption – to cut costs as much to protect the environment – and were then entitled to use the Green Globe logo.

In 1998 WTTC launched the Green Globe "standard" with criteria based on the WTTC/ World Tourism Organisation/Earth Council version of Agenda 21 for the travel and tourism industry published in 1996. At this stage, the focus of the Green Globe standard was on developing and implementing an environmental management system covering:

- Energy efficiency, conservation and management
- Management of freshwater resources
- Ecosystem conservation and management
- Management of social and cultural issues
- Landuse planning and management
- Air quality protection and noise control
- Waste water management
- Waste minimisation, reuse and recycling
- Storage and use of hazardous substances.

In 1999 Green Globe became an independent for-profit company with a board of directors drawn from major tourism companies. The scheme was renamed Green Globe 21 and revised to include third party verification – symbolised by a different logo for those companies that had actually been certified of the green globe with a tick across the middle. An International Advisory Council was established including representatives from the World Tourism Organisation and from NGOs such as WWF. However, a WWF press release in August 2000 launching a study on tourism certification schemes criticised Green Globe 21 for giving the impression that it takes advice from WWF and from WTO since at that time a meeting of the International Advisory Council had yet to be convened.

In 2001 Green Globe 21 was revamped again to incorporate *performance standards* into its process based approach. Three levels of membership were established: *Affiliates* for companies and communities that, for a small fee (less than $100) receive environmental information but do not commit to certification; *Benchmarked* for businesses and destinations (communities) who wish to measure their performance against certain criteria on an annual basis; and *Certified* for those that are independently audited to determine if they have met the process and performance criteria in the Green Globe 21 Standard.

The stated objectives of GG21 are: reduce greenhouse gases, improve energy efficiency, protect air quality, control noise, manage waste water, better community relations, respect cultural heritage, enhance social performance, conserve nature & wildlife, good land management, conserve ecosystems. Criteria are organised into five sections: environmental policy; compliance with relevant legislation; key performance areas; environmental management system; and, marketing green globe achievements to consumers and other stakeholders.

The following steps are mandatory before being certified:
1) Companies, communities, suppliers or professionals who wish to access may register as a Green Globe Affiliate as an introductory stage, to learn more about Green Globe and to prepare for Benchmarking and Certification.
2) The companies, communities, suppliers or professionals may register directly for benchmarking and measure their environmental performance annually. If they are above baseline performance and agree to achieve certification within a fixed time frame (usually 12 months) they are eligible to use one of the two GG21 logos – the Globe without a tick.
3) Members who apply for **certification** have their performance independently assessed and audited. Audits take place regularly to ensure that performance levels are

maintained or improved. Those that reach the required standards are entitled to use the second Green Globe logo which has a distinctive tick across the globe.

Fees for affiliation, benchmarking and certification are discussed in section B1 above.

Green Globe is promoted worldwide via a small secretariat based in Bournemouth, UK. The company also hosts a comprehensive website at www.greenglobe21.com and distributes a regular electronic newsletter. Each Green Globe Company or Community is featured on the website with hyper**l**inks to their own sites and Green Globe companies are also identified by flags on global distribution systems (computerised reservations systems widely used by travel agents). Members also receive environmental information and access to ECONETT, an information service developed by WTTC with EU funding.

Green Globe provides independent certification though SGS and environmental management consultancy services through Hagler Bailly and Montgomery Wilson

Synergy (2000) notes that one of Green Globe's strengths is its development of strategic partnerships such as with the Caribbean Alliance for Sustainable Tourism and the Cooperative Research Centre in Australia which help it to deliver regionally relevant information although Honey and Rome (2001) describe it as "the 'Pacman' of the tourism certification field, aggressively gobbling up many other tourism logo, award and certification programmes and forming partnerships with tourism associations in Asia, the Pacific, the Caribbean, the United States and Europe."

Green Globe proudly claims to have over 1000 members in 100 countries. However, presumably the majority of these are affiliates since the website currently lists 65 certified companies operating in 18 countries.

5. Implications for tourism suppliers

The tourism industry is characterised by transience and there are few cases of long term relationships between buyers (eg tour operators) and suppliers (eg hotels). Certification therefore has limited impact on this relationship – perhaps with the exception of the health and safety audits conducted by the big UK tour operators (see FTO Preferred Codes of Practice listed in Section A). In this case the costs of the audit are borne by the buyer and as a result there is substantially more commitment to a supplier in whom the tour operator considers a considerable investment has been made.

However, the majority of standards are not applied by tourism buyers as such. Green Globe is not in the business of buying from certified suppliers. Rather it acts as a marketing channel and provider of advice. Green Globe sells the standard on the basis of cost cutting (through environmental improvements), improved brand image, broader market appeal and enhanced quality. The cost to the supplier is the financial cost of becoming a Green Globe member and undergoing benchmarking or certification. Synergy notes that the cost of certification can be a major barrier for many businesses (bearing in mind that the majority of tourism businesses are small companies) especially where it can not be offset against guaranteed cost savings or price premiums. Synergy also notes that the cost of certification can be as high as quality grading which, at the very least brings higher consumer profile. The **Green Business Tourism Scheme** in Scotland has tried to overcome this problem by combining environmental certification with quality grading.

Synergy (2000) found that less than one percent of tourism businesses had joined certification initiatives by 2000 (although there is significantly greater participation in some regions than others). The reasons for this low uptake are suggested as:

· Scepticism about the potential of individual tourism businesses to bring about more sustainable tourism destinations in the long term;

· Confusion about the relative merits, costs and savings of different schemes and the requirements of the many programmes that exist;

· Uncertainty about the importance of environmental or sustainable credentials to visitor purchasing choice.

At the same time, confusion about the wide variety of schemes that exists also extends to consumers and so many may choose a tourism facility that displays some form of ecolabel on the assumption that this also correlates to the more widely recognised quality grading schemes. Those businesses that have been certified do use this in their marketing strategy to distinguish themselves from their competitors but to date, no analysis has been conducted as to the extent to which ecolabels or other certification schemes influence consumer choice.

6. Limitations of Green Globe and the Contrasting Experience of CST
Green Globe has tried to counter poor uptake by individual businesses by seeking to develop *destination* certification programme that encourages widespread industry participation. However, while visionary, Synergy (2000) points out that this scheme has not been adequately developed or tested, that it is not practical to embrace a whole destination with one environmental management system, and that to date, no destinations have completed the certification process.

Many commentators also note that because the Green Globe standard is predominantly process rather than performance based; it may reward some companies that have a bigger environmental impact than many uncertified companies. By contrast, the Costa Rican Certificate for Sustainable Tourism (CST) is often held up as one of the best models of tourism certification and Honey and Rome (2001) note that there is "a strong move to export this model and have it adopted as the global standard for sustainable tourism certification". Indeed, in June 2001, six other Central America countries agreed to promote a regional scheme based on CST.

CST is itself based on the experience of a number of other schemes, is tailored specifically to hotels and rather than being a simple pass or fail like the Green Globe standard it ranks businesses on a scale of 1 to 5 against a number of performance criteria. In addition, whereas Green Globe is run as a profit-making business, CST is a government run, non-profit scheme and is administered by a voluntary committee with representatives from a wide range of stakeholder groups including government, NGOs, industry, academia and scientific organisations. The first evaluation is free to encourage wide participation and certified hotels receive a CST plaque showing the level they have achieved on the 1-5 scale. Audits were originally published on the CST website so that each hotel's strengths and weaknesses were made public and comparisons could be made across the whole industry however, a number of the larger hotels have objected to this and are now allowed to veto what is published on the web.

Although there is a high level of awareness of the programme in Costa Rica, as with Green Globe, there is no evidence of any increase in visitors or other financial benefits to

compensate for the investments necessary by the hotels to achieve a high rating. CST also notes that the current policy of free auditing is not viable in the long term and that a fee will have to be introduced – although unlike Green Globe it is anticipated that this fee will be payable to the independent auditors directly and not through CST. CST is currently expanding to other sectors of the industry beyond hotels, while ICT, the government tourism agency behind CST is also now running the Blue flag, beach certification programme, in Costa Rica.

C. Information Exchange in tourism standards

In light of the number and diversity of tourism standards in existence, Southern suppliers would benefit from comparative analysis that enables them to determine the costs and benefits of each scheme and to see how each scheme compares with others. Bearing in mind the costliness of certification, most suppliers are unlikely to be able to afford to be certified by more than one programme so it is essential that they have sufficient information to enable to them to chose the one that is likely to bring the most benefits. Linked to this, Southern suppliers should have ready access to the fees associated with each scheme as well as evidence of marketing advantage or price premiums that certification is likely to bring – if any.

The United Nations Commission on Sustainable Development in 1999 recommended that tourism certification programmes should:

- Require companies to comply with national and regional regulations as an absolute minimum;

- Have the potential to surpass regulatory requirements in a way which is cost effective;

- Be developed with multi-stakeholder participation;

- Include monitoring, assessment and verification systems to generate confidence and support from all parties

- Include reference to the need for education focussing on tourists, investors, employees and host communities.

In addition, Synergy (2000) notes that the current emphasis of most schemes on environmental standards needs to be balanced by attention to socio-economic issues including human rights, employment conditions, stakeholder participation and broader economic considerations.

The Synergy report for WWF-UK provided a comparison of a number of the better-known certification schemes against a number of these and other criteria, but there is no detailed analysis of all the schemes in existence and an evaluation of how they measure up against each other and against international criteria and what their relative costs and benefits are. If the current Sustainable Tourism Stewardship Council feasibility study indicates that an international accreditation body is viable for the tourism sector this information should become more readily available.

Small businesses make up about 97% of total tourism industry and can cumulatively have a significant impact but are generally excluded from certification schemes on the basis of their

price, complexity or simply through lack of awareness. Synergy notes that "the outreach of certification programmes to small businesses could be improved though simple checklists as opposed to management systems. It is unlikely that global certification mechanisms for small businesses will be successful unless implemented through a credible local hotel or tourism association. Guidelines to help local or national authorities to develop credible programmes possibly certified by a central accreditation network is probably the best route for success.

Willingness to pay

There is little evidence that many suppliers are willing to pay for certification – although it is difficult to determine how much of the poor uptake can be attributed to price and how much to other factors including lack of awareness. However, price clearly is a key determining factor, and if suppliers are unwilling to pay to be certified then they are also unlikely to be willing to pay for information about the relative merits of the different schemes available unless hard evidence can be found to demonstrate that this investment can be offset by increase business or price premiums.

Summary of the case studies

Trade policy is a blunt instrument of social and environmental protection. Standards and associated codes and certification are proven means to seek complementarities between trade and sustainable development. Private standards and certification initiatives such as for organic food production or the Forest Stewardship Council are proven tools of private sector policy for sustainability. The standard setting processes themselves also provide excellent opportunities for hearing different perspectives and thus facilitating organisational learning. Industry initiatives such as EUREPGAP and the IFIR are attempting to reduce market complexity in their sectors.

It is clear that developing countries face constraints in absorbing best-practice information on standards, and in mobilising resources necessary to adopt process and production *methods* which comply with those standards (Wilson, 2001). But the major issue for Southern exporters and providers of services like tourism—especially small and medium scale producers and enterprises—is the *share of costs and benefits between the standard makers and standard takers*. This is especially true for *access* standards, but there are also questions of share of the 'sustainability premium' on *premium* standards such as for organic food production.

What do the case studies tell us about possible technical barriers to trade from standards in the forestry, food and tourism sectors, and means to overcome them?

Cost of certification is a limiting factor in all sectors, especially where it cannot be offset against guaranteed cost savings or price premiums. The majority of businesses in all three sectors are small, and are excluded from certification on the basis of its price, complexity or simply through lack of awareness. *Lack of provision for smaller groups* is a unifying theme.

In sustainable forestry, only a limited number of schemes is now in operation, converging on a mixture of process and product standards of social, environmental and economic aspects.

In the food sector, there is a growing influence of buyer-driven standards which regulate market access. Environmental and social aspects are largely separate. With the exception of 'fairtrade' labels, 'social' applies mainly to labour standards in plantation-scale food production rather than livelihood-scale issues of family and peasant farmers.

Sustainable tourism is young market compared to food and forestry, with a plethora of private standards but with very low uptake. Current tourism standards fall in the trap of 'sub-organic' food ecolabels, in providing suppliers with neither a more secure market access nor a market premium. There is not yet a global standard for tourism. Tourism standards have mainly been developed by the industry itself rather than developed (and applied) by tourism *buyers*. There is a risk that consolidation of tourism standards will mirror the food and forestry experiences, with a shift in governance to the *buyer* side, in the North.

Standards may be *scale-biased and regressive instrument*s with relative higher costs and complexity—especially in *determining conformity* to technical regulations—falling on the smallest operation. The walls around 'sustainable' systems such as organics are getting higher rather than lower, as government and certifier regulation gets more complex and more regulated. There are deep concerns that standards are accentuating prevailing inequalities, and excluding small firms and producers from participating in market growth, marginalising small-scale primary producers or entrepreneurs.

Standards may *overlook local realities*, such as the use of forest resources by local people. Standards may be wide of the mark of *national strategies* for the smallholder sector, such as in South Africa where the country is trying to build a black rural class through land reform and outreach programmes. Standards may also become integrated into state policy as governmental standard, short-cutting the democratic process, and raising suspicion around 'voluntary' standards as *legislation by stealth*. This is harmful to the incremental development of the sectors of environmentally and socially preferable goods and services, and an affront to the expectations of 'win-win-win' development.

How can a Sustainable Trade and Innovation Centre help improve market access AND foster sustainable development?

A key role for a STIC is to *advise on the development (or preferably the co-evolution) of non-exclusionary* standards, which do not unfairly erect barriers to trades to smaller, less well-capitalised countries, producers, or industries. It can take on a unique role in *bringing together Northern businesses and Southern producers* around the concept of non-exclusionary standards. The growing importance of *partnership* or *multistakeholder* initiatives means that governments also have an important stake in the STIC. Whether or not a standard falls under the WTO's agreements on Technical Barriers to Trade, standards that are equitable in the broadest sense are more likely to avoid dispute from the outset.

The case studies show that it is *not* always access to *information about standards* or *capacity to deal with those standards* that prevents Southern entrepreneurs—especially smaller scale producers and SMEs—from accessing markets for sustainable products and services. Clearly a STIC must look beyond information brokering and capacity building. Proposed functions of a STIC are as follows:

1. **Research** especially on market-led standards and certification, to pull together evidence. Little is known about the attitudes and experiences of the people—workers, growers,

rural citizens etc.—for whom codes are purportedly drawn up, or about real improvements in environmental or socio-economic outcomes. What are the transaction costs experienced by 'standards takers'? Who is favoured by the new social and environmental standards, and by the process of certification as 'referee'? Are the interests of smallholders and SMEs being balanced against the interests of large enterprises and wage labour? What does this mean for the relative success of Southern producers and companies, and for Southern livelihoods and governance? Is there a way in which partnerships, and the sharing of costs, benefits and risks, can be improved along the supply chain?

Comparative *independent* research is also required on existing standards and certification schemes— the requirements of the different schemes and their relative merits, costs and savings (page 25, page 49). Do the schemes have in place the right procedures to develop, implement and assess the standard so that it is suitable to the locality, acceptable to stakeholders, and can be impartially assessed? How well are environmental standards balanced against socio-economic issues such as human rights, employment conditions, and broader economic considerations such as terms of trade?

Research is also required on reintegrating 'voluntary' and statutory standards within trade policy, considering that their effects on trade and market access are much more similar than WTO policy would suggest.

2. **Promoting trading opportunities** in more sustainable goods and services
   - *Market overviews*—trends and market requirements
   - Establishing *direct contacts between exporters and importers*, such as the proposed web-based market system linking suppliers and buyers of sustainable forest products (Page 32)
   - *Capacity building and technical support* in meeting social and environmental standards
   - *Dealing with TBT disputes* in relation to voluntary standards

3. **Enhancing access to voluntary standards development activities:**
   - *Bringing Southern governments and stakeholders into standards setting processes* including *aligning standards with national strategies for sustainable development*
   - Assisting Southern export associations in the *development of national codes* of practice
   - Advising EU businesses, agencies, NGOs on *how to draw up non-exclusionary standards and codes* with guidelines which could include the following:
     - Think twice before establishing new standards in the name of 'sustainable development'
     - Avoid pushing initiatives that are not actually based on either a business case or a development case
     - Refrain from supporting multiple forms of ethical labels and standards
     - Cooperate in projects supporting developing country exporters' adaptation to standards
     - Support developing country participation in creation of criteria
     - Support harmonisation and simplification of labelling and guidelines
     - Balance *costs* of standards/certification and credibility, and scale of possible environmental or social damage, ie discretion in the application of the precautionary principle.

4. **Drawing up 'standards for standards'** in which effective and credible procedures can be put in place. *Independent* research is also required to compare existing standards and certification schemes— do the schemes have in place the right procedures to develop, implement and assess the standard so that it is suitable to the locality, acceptable to stakeholders, and can be impartially assessed? Based on ISO65, guidelines can be developed in effective and legitimate standard setting, for standard setting organisations, companies, NGOs and CSOs, and governments, to avoid mistakes being continually repeated. This would set out best practice within the institutional framework triad of *standard-setting*, *certification*, and *accreditation*. Setting up standards for standards is an important prerequisite for international mutual recognition of standards.

5. Multilateral **harmonisation of standards**, stemming the proliferation of standards and certification schemes

6. Studying ways to **reduce certification costs**

In debating the contribution of standards to sustainable development, it is easy to lose sight of the big issues affecting the direction of development, South and North.

Standards for environmental and socially preferred products are not always the best means to reverse under-provision of environmental and social assets, nor an alternative to regulation. A vision of ecological resilience or social equity can get lost in a maze of standards, certification and extra costs. For provision of *public goods* for which *people have no preferences*, private labelling schemes and niche marketing (ie putting the decision to support the provision of public goods at the feet of the consumer) can seem a peculiar logic. And yet this has been the logic behind many social and environmental standards.

Standards can be a distraction to the major distortions of the global trading system, such as overt and hidden export dumping from OECD countries into the South. Gains from trade for Southern producers can be systematically overstated, and can be expropriated by larger producers, traders and other market intermediaries, and retailers. New jobs in 'sustainable' exports or services may be very unstable as global capital scours the planet for cheapest production within the standards. Issues of market access are also serious problems for producers of goods and services in the North, trying to access vertically integrated 'value chains' under conditions of highly skewed market power relations. European producers of organic produce in Europe know this only too well.

These cautionary comments are not included here to dismiss the real and potential gains from standards for sustainable production of goods and services. But it is important to enter into developments such as a Sustainable Trade and Innovation Centre fully aware of the realities of the trading system into which standards are being introduced.

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