TRADE FACILITATION, LABELING AND CERTIFICATION FOR AGRICULTURE AND FORESTS

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Introduction. Trade negotiations are only the first step towards free trade. Regulations for importing and exporting, as well as procedures play a key role in market access and trade facilitation. Since the 1996 Singapore Trade Ministerial Conference, members of the World Trade Organization have been addressing the simplification of trade procedures, in order to guarantee market access and expedite the movement, and release of goods without compromising the ability of countries to establish their own environmental, health, and safety standards.

Red tape is estimated to cost more than 10% of the value of exports in developing countries.

Source: The World Bank, Doing Business 2005 report, Trading Across Borders Section.

In this era of globalization and open economies, regulations regarding the acceptance of goods and services are no longer territorial; least developed countries (LDCs) face the greatest challenges for competitiveness. The WTO has been analyzing the scope of its rules in order to ensure the enforcement of the principles of special and differentiated treatment, deference and equivalence.

With the expansion of industrialization and systematization of routine processes, different sectors of societies in developed countries began showing an ecological concern, while capital societies were not so advanced in areas such as environmental protection and conservation. However, with time, this became a global concern and consumers began to evaluate their behavior and to demand products that promote environmental conservation. As a response to these new market demands, industries began to develop the so called *"ecological"* products, which are the most beneficial for the human being and the planet since they use techniques that minimize pollution and avoid the elimination of species and global warming. Various political fora, from the World Summit for Sustainable Development in Rio de Janeiro (1992) to the Summit in Johannesburg, have been crucial in establishing commitments on sustainable consumption. A practical example of this change in behavior is the adoption by the European Union of an Integrated Product Policy, which incorporates an environmental dimension to public contracts and public purchases in addition to eco-labeling, restricting the use of dangerous substances, regulating availability or information on energy consumption in production and energy efficiency, as well as packing of products among other requisites.

It is important to highlight the jurisprudence of the WTO on the application of the Most-Favored Nation (MFN) and National Treatment principles, the General Agreement on Tariffs and Trade (GATT), Technical Barriers to Trade (TBT) and the Sanitary and Phytosanitary Measures (SPS) agreements.

With regards to GATT, the debate has focused in particular in "like products" and production and process methods. For example, a country allowed banning the import of a product that causes health, safety or environmental risks that a "like product" does not. GATT article XX entitles WTO members to take the necessary measures to protect human, animal, and plant life as long as they can show that the measure is necessary and that there is a rational objective relationship between health, safety, and environmental measures and the scientific evidence to satisfy the requirements.

The main purpose of the TBT agreement is to ensure that technical standards, testing, and certification procedures do not create unnecessary obstacles to trade. The objective of the SPS agreement is to allow the use of trade measures to protect health and the environment, promoting transparency, mutual recognition and equivalence. SPS measures could include the percentage of pesticide use, level of chemical residues and inputs that can be added to products. These agreements are extremely relevant for agro-exports where environmental requirements become more imperative to maintain competitiveness and market access; particularly in facing the challenges of multilateral trade negotiations.

The application of the principles in the above-mentioned agreements has enabled the establishment of new productive processes and organizations that, through different certification systems, verify compliance with regulations and standards. These regulations and standards are not always mandatory, but they are established by the private sector to promote environmental conservation and at the same time contribute to the development of producer countries in poverty alleviation. Among these certification systems are ecological labels and enterprise certification, which assesses their environmental management.[1]

Issues related to Agriculture. The new and growing interest in achieving good health through healthy food, as well as the great concern of societies of environmental conservation has resulted in an amazing increase in the demand of ecological products.

The European Union is the main market for the production and marketing of these types of products. Nevertheless, if we consider individual countries, the United States represents the biggest market. Almost 130 countries in the world produce ecological food and beverages in commercial quantities, of these, 30 are in Africa, 30 in Asia, and more than 25 are in Latin America and the Caribbean, the majority are European countries, 5 countries from Oceania and the Pacific, United States and Canada. The main ecological products traded at international level are fresh and processed fruits and vegetables, nuts, coffee, tea, cacao, herbs and oleaginous species, grains, dry legumes, meat, milk products, eggs, alcoholic beverages, processed food and others not for human consumptions, such as concentrated for animals, seeds, cotton, cut flowers and plants, among others.[2]

In 2002, the global sales of ecological products were US$ 23 billion surpassing the US$19 billion of the previous year; this represents approximately 5% of the total food sales.[3] Nevertheless, organic products that do not use fertilizers or synthetic pesticides are the ones that have registered increased activity in the past couple of years, with an annual average growth of 20%; this is still not enough to satisfy the great demand of the most important markets: Europe (50%), United States (39%), and Japan (9%).[4] The main consumers of organic coffee in Latin America are Brazil and Mexico, where awareness campaign have been launched due to the increase in local production.

Due to this trend in consumption of organic products, fast food, flowers and tobacco suppliers are becoming interested in the production and merchandising of these products. For instance, in Germany, McDonald's signed an agreement with organic meat producers to supply meat to their chain of restaurants, as well as for using organic milk for food preparation. The North America Organic Bouquet Company has started to sell organic flowers through internet in the United States. Tobacco companies in the United States and Canada are now interested in the production of cigarettes with organic tobacco, seeking to increase their tobacco sales.[5] Generally, the main consumers of these types of products are people in their 50s and 60s, middle and upper class families and the majority of residents of big cities.

The support of different organizations and governments to the development of organic agriculture has allowed the elimination of a

series of institutional barriers, has facilitated the access to information for producers, and increased the interest shown by the consumers and the food processing industry.

In order to identify the products within this growing market, many organizations have established certification standards at national and international levels, these standards guarantee to consumers that the products were processed with known sustainable techniques that benefit their health without affecting the environment. The best known systems of agriculture certification around the world are: International Federation of Organic Agriculture Movements (IFOAM), Fairtrade Labeling Organizations International (FLO), Rainforest Alliance sponsored by the Sustainable Agriculture Network, Bird Friendly, among others

Agriculture certification provides great benefits to consumers by ensuring that the products they acquire comply with a set of norms and ecological procedures that come from sustainable standards. These standards can be established by the importer country, through national and international laws or by the certifying agency. It also benefits agriculture workers, farmers and producers. By adopting a certification program they obtain increments in the remuneration of their working conditions, this translates into just salaries, better facilities, as well as long term improvements to the environment. It also provides an opportunity for small-scale agriculture workers to stay in business thanks to the support and solidarity of consumers that are willing to pay a higher price for these types of products. It also benefits local communities, government and society in general since they provide progress through more income from exports, foreign investment and capacity building.[6]

Certified products are also characterized for having a special label known as *"ecolabel."* This label guarantees to the consumer that the product or service follows the criteria for environmental care. Environmental labeling is defined according to the International Organization for Standardization (ISO) 14020 as a set of voluntary tools aimed at stimulating the demand for products and services with lower environmental burdens by providing relevant information on their life cycle to address purchaser's demands on environmental information.[7] The ISO classifies ecolabels in three groups, all of them voluntary, Type I: certified ecolabels, granted by an independent agency that does not participate in the market but guarantees the veracity of the information; Type II: are environmental declarations of the product prepared by the producers themselves; Type III: are environmental declarations that provide very detailed quantitative information about the contents of the product. Some of the best known ecolabels worldwide are Blauer Engel (Germany), Green Seal (United States), Qualidade Ambiental (ABNT) (Brazil), Environmental Choice (Canada), Red Mundial de Etiquetado Ecológico, EU Flower (European Union), White Swan (Norway), among many others.

The cost to obtain a certification varies depending on the products, quantities and the countries. More often than not, these costs are high; they depend on the size of the area they want to certify, the volume of production, quality of information and documentation provided by the producer, location and above all, the selected certifying agency.[8] It is also important to keep in mind all the expenses incurred in investment, capacity-building, assessment to improve the quality of the product, and conservation of national resources. All these expenses, plus the cost of certification, add up to US$3,000-8,000 or more; this translates into a very high increase of price, from 20 to more than 100%, over products grown using conventional techniques, for which producers receive between 10% and 50% more for the value of their production.[9]

For example, in France the amount on control, analysis, administrative and certification expenses is approximately between:

- US$300 and US$500 for an individual agriculture worker (1.5 controls per year)
- US$1,000 and US$3,000 for a company or organization of producers (2 controls per year).

However, there is convincing evidence that if all the indirect costs of conventional food production were factored into the price of food, organic food would cost the same, or, more likely, would be cheaper than conventional food.[10]

Generally, the cost of certification is less than 1% of the value of the product for the final consumer.[11]

Issues Related to Forestry. Agriculture – farming and grazing – already occupies 38% of the Earth's land. Industrial agriculture is a leading polluter and a rapacious user of water. As population pressures everywhere increase, and the conservation of forests to farmland accelerates, current practices will only continue to accelerate the cycle of poverty experienced by most farmers, especially in and around our planet's most sensitive and unique ecosystems.[12] This is the reason why forestry certification becomes a mechanism to guarantee the application, in one area and at a specific moment, of a minimum set of standards of arrangements defined previously and agreed upon by consumers and producers.

Santa Isabel[13] Coffee Farm located in the southeast mountains of Guatemala is considered a model of sustainability because it complies with high environmental and social standards established by the Rainforest Alliance and the Network of Sustainable Agriculture. Of the 6,000-acre farm, 60% of the coffee grows beneath the shade of the forest canopy. The remaining 40% has been set aside as a nature preserve for hundreds of plant and animal species. Some of the practices developed include sending out field specialists who work with farmers to incorporate better social and environmental conditions focusing on areas such as ecosystems and wildlife conservation, labor practices and community relations, reduction of chemical use, and waste management. These products get the seal of approval that help them stand out in the market.

These standards will prevent deforestation and will benefit the health of consumers.[14]

In order to establish a framework for international standards for certification, the ISO in its guide ISO/IEC 2:1991 defines forestry certification as a process in which an independent third party guarantees through a written declaration that a product, process or service complies with specific requirements and demands. Under this standard, several certification systems have been recognized worldwide but distributed by areas, examples include the Forest Stewardship Council (FSC) (worldwide), the Pan European Forest Certification (PEFC) (Europe), the Sustainable Forestry Initiative (SFI) (United States and Canada), the American Tree Farm System (ATFS) (the Americas), or the Canadian Standards Association (CSA).

Forestry certification offers social, economic and environmental benefits to governments, industries and societies through the sustainable management of forests, and it also guarantees biodiversity. Other benefits include a better public image by selling "ecological" products, more access to markets and investment capital, a differentiation of their products, more sustainable and efficient management of resources, and trust from the public. Certification also establishes frameworks for the resolution of

social conflicts regarding the use of forest resources, guarantees the right to the use of land to local and indigenous communities, and guarantees a lawful and responsible management of forests by industries, consumers, and other stakeholders.[15] Another important aspect of certification is its support to the establishment of ecolabels, allowing consumers and society to identify the products they consume and to guarantee that with their purchase, they are not supporting the destruction of forests but they are contributing to the conservation of the environment, as well as the conditions of workers in the related sectors.

Demand for this type of products comes from three sources: (1) *Buyers groups*, including industries and individuals such as furniture manufacturers, architects, construction companies, and artisans that join voluntarily and commit to find and buy certified forestry products. (2) *Wholesale merchants and forestry products retailers*: big *do it yourself* chains are committed to give preference to certified forestry products for their stores, specifically, certified products under the FSC standards. These big companies include B&Q (England), and Home Depot and Lowes (United States). (3) *Public entities, industries, governments and industrial organizations*: indeed, municipal, state, and national governments, as well as government agencies are executing or experimenting with policies that include the acquisition of "green" products. Many industries, for example, Nike, Ford Motor and Patagonia, have environmental policies and goals that specify the use of certified environmental products.[16]

The world market for certified forestry products is still not a very active force worldwide; this is because there are few consumers willing to pay a higher price for these types of ecological products focused on environmental factors, since quality and, above all, cost are significant factors when making a purchase. Nevertheless, environmental concern has been an incentive for the demand of these types of products, for instance, sales have increased in the last few decades, particularly in the United Kingdom, the Netherlands, Germany and the United States. More than 90% of the total certified area is located in Europe and around 40% in North America. Only 10% of the total certified forestry area is located in developing countries. One of the biggest areas is in Brazil with 1.28 million hectares (approximately 3.2 million acres) of forests certified by the FSC, 50% of these are plantations.[17]

The minimum cost for forestry certification is US$8,000, but this value can increase to up to US$15,000, according to data from experiences on certification in Central America. The variation in price depends on factors such as the area to be certified – the smaller the area, the higher the cost per certified unit. It also depends on factors such as the status of if the certifying agency (for example, profit or non-profit), accessibility conditions of the area to be certified, the number of specialists required for the evaluation, and the adjustments to the handling systems necessary to obtain the certification.[18]

To really understand the benefits of certification and ecolabeling for trade facilitation it is key to take into account both direct and indirect costs. Direct costs cover the costs of the certification processes as well as the payment to the certifying agency. Indirect costs are related to the establishment of the mechanisms to obtain certification standards.

Further Reading (in addition to references).

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