

"Increasing the Benefits of Voluntary Eco-labeling Schemes"

MACD

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March 16, 2000

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This paper was researched and written to fulfill the M.A. project requirement for completing the Monterey Institute of International Studies' Master of Arts in Commercial Diplomacy. It was not commissioned by any government or other organization. The views and analysis presented are those of the student alone.

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TABLE OF CONTENTS

Scenario

[Executive Summary](#)

[Background](#)

[Consumer Demand for Green Products](#)

[Eco-Labeling Programs](#)

[Attempts to Negotiate A Protocol on Eco-Labels in the WTO](#)

[Political Analysis](#)

[The Global Eco-Label: A New Approach](#)

[Action Plan for Establishing A Global Eco-Label](#)

[Overview](#)

[U.S. Strategy](#)

[International Strategy](#)

[Appendix 1: Stakeholder Analysis](#)

[Appendix 2: American Demand for Green Products](#)

[Appendix 3: Sample Briefing Note for Press Conference](#)

SCENARIO

For the purposes of this project, I assume the fictitious role of Vice President of Government Relations for a fictitious American business association, the *Green Producers Association* (GPA). In this capacity, I have developed a proposal for establishing a global voluntary eco-labeling scheme, which will be submitted to GPA's Board of Directors and members for approval.

GPA's members are American producers of environmentally sound products—producers who use environmental labeling mechanisms to market their products to environmentally conscious consumers.^[1] GPA's mission is to address public policy matters that affect eco-friendly producers, including issues surrounding eco-labels.

I suggest in my proposal that GPA should work with the Global Eco-Labeling Network (GEN) in implementing the proposal. GEN is a real life umbrella organization for national eco-labeling programs. It already includes 25 members, and several programs are currently applying for membership. GEN represents its member programs in international fora. It has observer status with the World Trade Organization (WTO) and remains active in the United Nations Environmental Program (UNEP), the United Nations Conference on Trade and Development (UNCTAD) and the Organization for Economic Cooperation and Development (OECD). GEN provides members with international guidelines for eco-labeling criteria, which are based on the ISO 14000 series of environmental management guidelines. In addition, GEN offers financial and technical aid to countries that wish to develop their own voluntary eco-labeling programs.

EXECUTIVE SUMMARY

The Problem

Eco-labels have the potential to significantly reduce environmental degradation associated with resource extraction and manufacturing processes. By enabling producers to communicate directly with environmentally conscious consumers about their production process methods (PPMs), eco-labels enhance the competitiveness of green vis-à-vis other products, and thereby provide an incentive for manufacturers to use environmentally responsible PPMs.

A number of indicators suggest that the market for green products is large and growing. Co-op America's "Green Pages," for example, estimates the "green economy" could expand to an annual market of \$1 trillion. In reality, however, producers are experiencing diminishing returns on green products. There are a number of reasons why the full benefit of eco-labels has yet to be realized:

- Eco-labels are expensive. The high administrative and adaptive costs associated with eco-labeling programs make them unaffordable for many producers—particularly because exporters need to apply for eco-labels in all the different markets to which they hope to send their goods.
- Eco-labeling criteria of importing countries do not necessarily reflect the environmental priorities and production technologies of producing countries. These problems are particularly significant when developed countries require developing country producers to meet their own eco-label criteria. If eco-labeling criteria require PPMs that are beyond the means of developing country producers, these producers won't even consider adopting more environmentally friendly production methods. Moreover, if eco-labeling criteria aren't tailored to address country specific environmental problems, they have less environmental benefit.
- Consumers are losing confidence in eco-labels. In recent years, the number of different eco-labels has proliferated and some producers have used the labels to make fraudulent claims. As a result, consumers have begun to lose confidence in the labels as a means of differentiating between products that are truly environmentally friendly and those that only claim to be.

To address these problems, the European Union and Canada have proposed the negotiation of a

protocol concerning voluntary eco-labeling schemes that would become part of the World Trade Organization's (WTO's) Technical Barriers to Trade (TBT) agreement. Developing countries, however, fear that environmental measures will be used as disguised barriers to trade, and they have opposed the inclusion of any trade-related environmental issues in the WTO.

Given this situation, negotiation of a WTO protocol to address the above listed problems is likely not a realistic near-term goal. Private sector establishment of a global eco-label scheme, however, could go a long way toward realizing the full benefits of eco-labels.

Recommendation: A Global Eco-Label Scheme

The following proposal lays out a global eco-labeling program that could be carried out voluntarily by the private sector (thereby circumventing the need for international negotiation). The program uses mutual recognition as a means of consolidating different eco-labeling schemes' product criteria under one umbrella label. Once the global scheme reviews and accepts an individual program's product criteria, producers who meet the program criteria would gain the right to affix the global eco-seal to their products.

The global label would be particularly beneficial to developing country producers because it would enable exporting countries to develop their own eco-labeling criteria that reflect their own environmental priorities and technology levels. While these criteria would have to be shown to be "equivalent" to those of other eco-labeling schemes included under the umbrella, they would undoubtedly be much more manageable for developing country producers and relevant developing country environmental problems.

The program also would improve green market opportunities in Japan and Europe for American producers, and it would:

- Reduce the administrative and adaptive costs of applying for multiple eco-labels by creating one universal label that would be recognized worldwide.
- Improve the environmental effectiveness of voluntary eco-labeling schemes worldwide by ensuring that eco-label criteria reflect specific producer countries' environmental problems and technological capabilities.
- Help re-establish consumer confidence in eco-labels by creating visual recognition of one credible seal.
- Diminish the potential for eco-labels to either inadvertently become or purposefully be used as trade barriers.
- Serve as a working model for future negotiation of an eco-label protocol in the WTO.

- Build developing countries' confidence in the benefits of eco-labels (thereby setting the stage for future negotiation of a WTO protocol).
- Improve incentives for producers to use green production methods.

To facilitate widespread use of the global label, the Global Eco-labeling Network (GEN) should be asked to offer technical assistance to developing countries that wish to develop their own eco-labeling schemes (schemes that could then be incorporated into the global program). Developing countries are less likely to adamantly oppose future negotiations regarding eco-labeling if they have a working example of a scheme that increases rather than diminishes market access for their products. Moreover, developing country manufacturers are more likely to adopt green production technologies if they will gain a competitive edge in developed country markets by doing so.

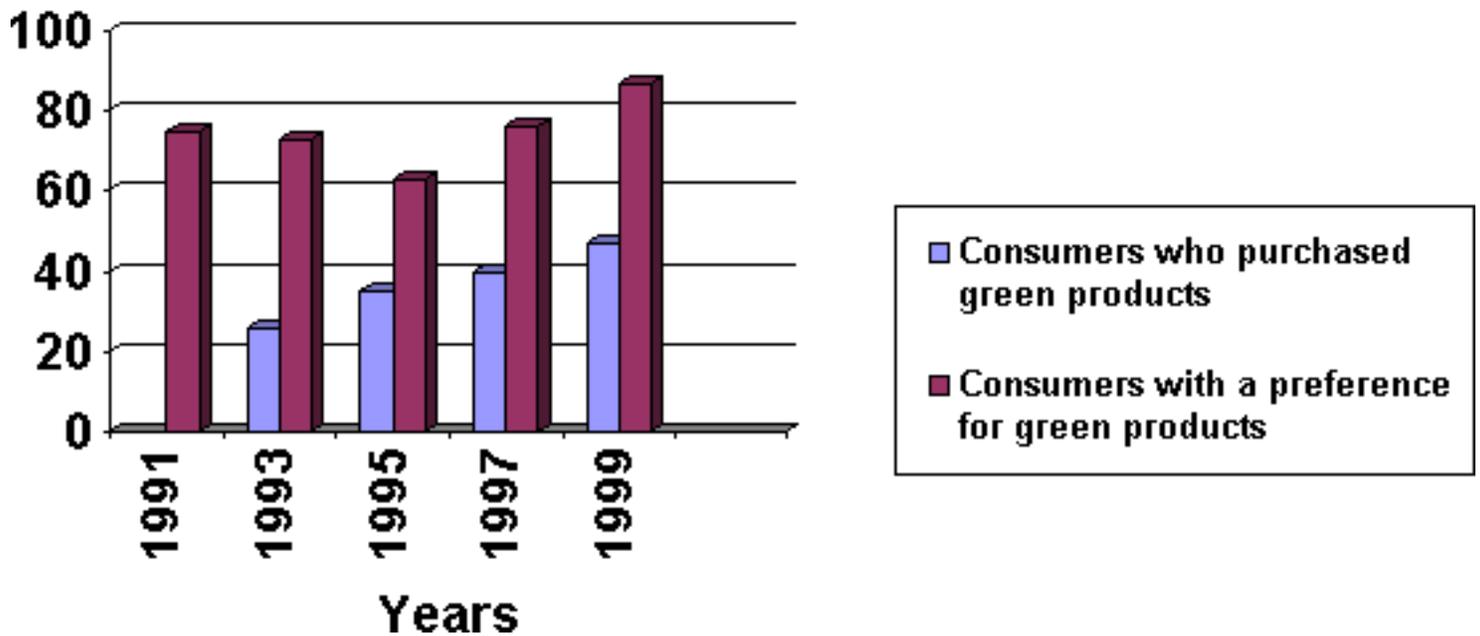
The global program should also launch marketing and education campaigns to build recognition of the global label (which will be crucial to the label's success) and to increase consumer awareness of environmental issues and demand for environmentally sound products.

BACKGROUND: CONSUMER DEMAND FOR GREEN PRODUCTS

During the 1990s, consumers—particularly American and European consumers—became increasingly concerned with the environmental affects of their purchasing decisions, and they began demanding significant quantities of “environmentally friendly” products. It is this demand that has spurred both manufacturers' interest in making green products and the worldwide proliferation of eco-labels.

U.S. Demand for Green Products

U.S. Demand for Green Products



In 1999, 52 percent, over half, of American consumers bought at least one product that was advertised as “environmentally safe.” While this number appears impressive, it is significantly lower than the number of consumers who have indicated a preference for eco-friendly products. (For more information on American consumer demand for green products, see Appendix 2.) Unfortunately, U.S. consumers have become somewhat skeptical about eco-labels—largely because of the sheer number of eco-labels and the fact that, because eco-labels are voluntary and unregulated, some producers have used them to make exaggerated or even fraudulent claims.

European Demand for Green Products

The European market has tremendous potential for green producers because Europeans tend to be relatively well informed about environmental issues and their purchasing decisions reflect this knowledge. Forty-two percent of EU consumers are considered loyal green consumers, and 75 percent of consumers are willing to pay a premium for green products.^[2] Like the United States, however, the EU has problems with consumer confidence because of the overwhelming number of eco-labeled products on the market.

Japanese Demand for Green Products

Japanese consumers have recently become more aware of environmental issues, and their demand for eco-labeled products has increased accordingly. Sixty percent of consumers now recognize

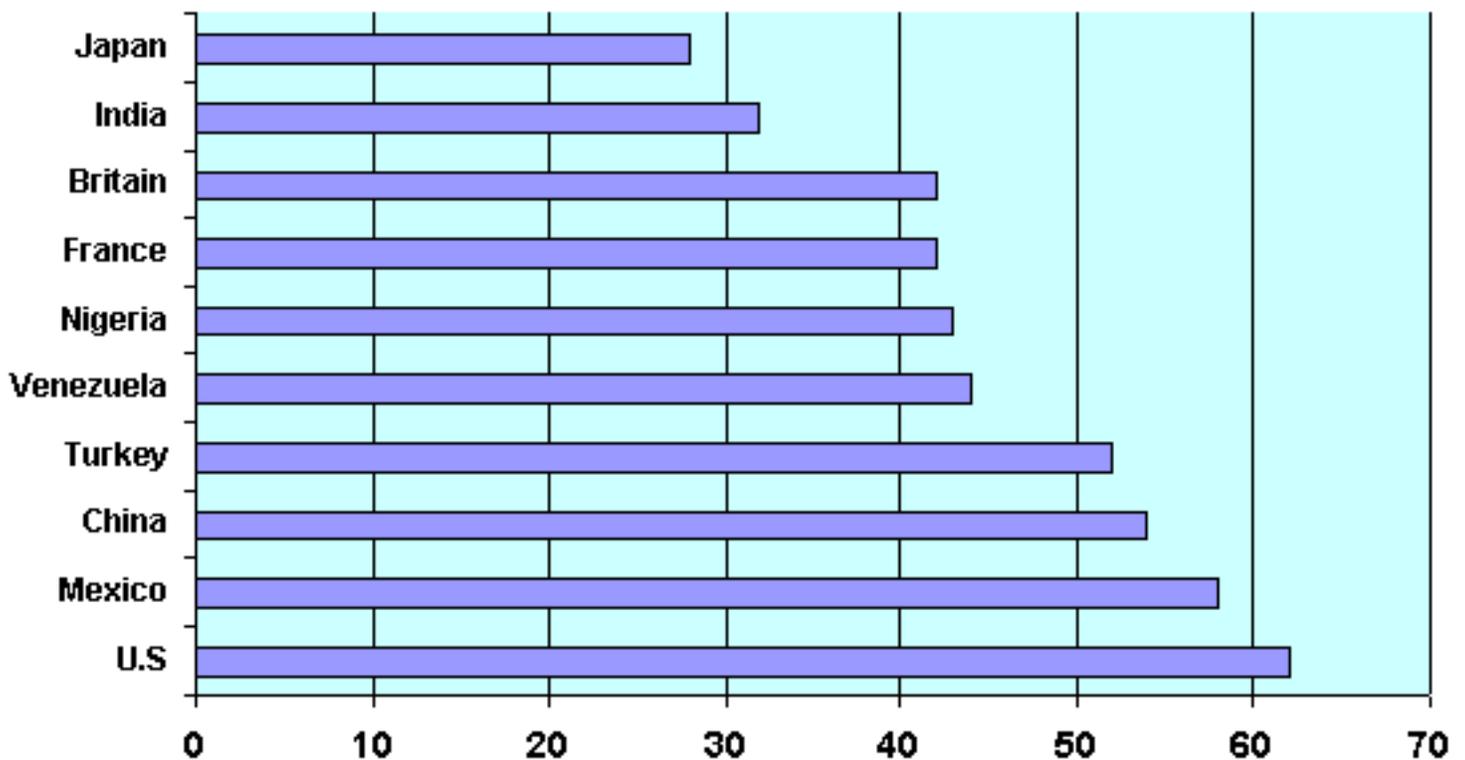
environmental claims,[\[3\]](#) and companies are using green products to improve their corporate images with consumers. If administrative and adaptive costs associated with eco-labels were reduced, both Japan and Europe would become good export markets for American green producers.

Emerging Eco-markets

Producers from lesser developed countries (LDC) generally have not been considered to be large markets for environmentally friendly products. According to a survey by Environics International, however, many consumers in these countries are willing to pay a 10 percent premium for green products.[\[4\]](#) Researchers believe this results from increasing concerns about local air and water pollution in developing countries. Over 50 percent of respondents to the survey said they believe their health has been seriously harmed as a direct result of pollution and are therefore willing to buy green products at a premium.

By contrast, only 25 percent of consumers from industrialized countries reported believing that their health has been harmed by pollution. The following chart illustrates the findings of the study.[\[5\]](#) The chart does not representative the total number of nations that participated in the study. Rather, it displays developing countries in which consumers were found to have a notable concern for their environmental purchasing decisions, as well as a few developed countries for comparison purposes. The study findings suggest that many of these countries could become emerging eco-markets. Education campaigns will be important to further build this potential.

Percentage of Respondents that would avoid a product or brand for environmental reasons



BACKGROUND: ECO-LABELING PROGRAMS

Eco-labels are product labels that inform consumers about the environmental impact of a product. They encourage producers to switch to environmentally sound production process methods (PPMs) because they can give a product an advantage in the marketplace. Eco-labels allow producers to differentiate their products from products that are less environmentally friendly^[6] and thus to reach environmentally conscious consumers.

Voluntary eco-labeling programs certify products that meet set product criteria that are usually based on life cycle analysis (LCA)—an analysis of the full environmental impact of a product, including impacts associated with the initial extraction of natural resources used in the product, the production process methods (PPM's) used in manufacturing the product, and the use and disposal of the product.

Unfortunately, the full environmental benefit of eco-labels has yet to be realized:

- Eco-labels are expensive. The high administrative and adaptive costs associated with eco-

labeling programs make them unaffordable for many producers. Green producers that want to export their products to multiple markets incur substantial costs in gaining the right to use the eco-labels specific to each of those markets. A producer often has to pay application and scientific testing fees for each market to which he hopes to export; he may also have to adapt his production methods to meet different countries' eco-labeling criteria. To avoid these costs, a producers might decide to apply his own environmental claims to his product packaging, however this is likely to hurt his sales and might even render his product unprofitable. A producer that can't afford third party certification may also decide to relax some of the strict environmental guidelines that he would adhere to under the voluntary eco-labeling scheme because no one will verify his own claim. Either way, the system reduces producers' incentives to adopt environmentally sound PPMs.

- Eco-labeling criteria of importing countries do not necessarily reflect the environmental priorities and production technologies of producing countries. The criteria for gaining the right to use European eco-labels, for example, do not reflect Zimbabwe's local environmental problems, its access to environmentally sound technologies, or its level of economic development. Accordingly, Europe's eco-labeling criteria might not address an important environmental issue in Zimbabwe, or more likely, they may set requirements that are near impossible for Zimbabwe's producers to meet. Zimbabwe's environment would benefit more if Zimbabwean producers were required to meet requirements that are feasible and that addressed specific Zimbabwean environmental problems.
- Consumers are losing confidence in eco-labels. Credibility is crucial to the success of voluntary eco-labeling schemes. In order for an eco-label to be an effective marketing tool, consumers need to know that the label makes an accurate claim. Obviously, eco-labels granted by third party organizations with established product criteria are more credible than labels ginned up by a producer for his own products. However differentiating between third-party eco-labeling programs is also problematic, and the recent proliferation of eco-labels in conjunction with some producers' fraudulent environmental claims has diluted consumer confidence in the labels. Some consumers now believe that eco-labels are simply manufacturer schemes for exploiting consumer concern for the environment. In 1998, 8.7 percent of new products in stores nationwide carried environmental claims—an increase of 2.8 percent over the past decade.^[7] As Diane MacEachern, a Washington based consultant for food eco-labeling, explains, "I could put out a product that said, 'Good for the environment. Nice for the bees.' There could be absolutely no basis to make those claims other than my subjective opinion. And consumers would have no way to validate those claims."^[8]

BACKGROUND: ATTEMPTS TO NEGOTIATE A PROTOCOL ON ECO-LABELS IN THE WTO

The European Union (EU) has suggested that member nations should negotiate an ad hoc code of

conduct under the auspices of the TBT agreement in order to provide clarification of this agreement as it relates to voluntary eco-labeling schemes. As the EU sees it, negotiators need to clarify the legal questions regarding the spirit and purpose of the TBT agreement and to establish criteria for such schemes in order to limit their impact on trade flows.[\[9\]](#)

The United States has remained neutral on this specific issue. However it, along with the EU, Canada, and Japan have been working towards creating a political climate within the WTO that is receptive to the trade and environment agenda. To date, they have made little progress.

Developing countries remain concerned that an ad hoc agreement regarding voluntary eco-labeling will allow industrialized countries to set up disguised barriers to trade on the basis of dubious scientific evidence. Although the trade effects of voluntary eco-labeling schemes are largely unknown (because researchers do not have access to confidential corporate data regarding increases or decreases in sales),[\[10\]](#) there is at least some evidence that eco-labels can act as trade barriers. In Columbia, exporters have cited the high costs of obtaining foreign eco-labels as the primary reason for diverting exports from several developed countries. Colombian textile companies reportedly ceased exporting products to certain developed countries due to these costs and the consideration that, without the eco-label, the products could not compete. Similarly, Colombian banana exporters have indicated that adaptation costs to fulfill eco-labeling requirements exceeded the benefits of getting a label.[\[11\]](#)

Developing countries are also concerned that a WTO eco-label agreement would establish a legal precedent for consideration of non-product related production process methods (PPM's) as a legitimate means of discriminating between products. Developing countries argue that voluntary eco-labeling schemes are outside the text and spirit of the TBT agreement and are not WTO-compliant because labeling mechanisms allow consumers to discriminate between products based on non-product related characteristics.

Moreover, developing countries are particularly concerned that harmonized global environmental standards will impose ineffective environmental standards and needless economic burdens on developing nations. They argue that the environmental problems of developing countries are often linked to economic development, such as wastewater treatment, deforestation, biodiversity, and population burdens, and that environmental standards for developing countries need to reflect their level of development and particular environmental challenges.

Developing nations believe the industrialized countries have already asked the developing world to sacrifice too much for the sake of free trade. They are also frustrated by industrialized countries' unwillingness to lower barriers to trade in textiles and commodities, which are traditional export

industries for developing countries. There is a general sense among developing countries that they must stand up to developed countries on issues that threaten their economic interests.

[1] Eco-labels are product labels that inform consumers about the environmental impacts of their purchasing decisions. They enable producers to differentiate their environmentally friendly products from other products and thereby create a market incentive for producers to switch to environmentally sound products. During the 1990s, interest in eco-labels grew in tandem with demand for environmentally friendly products.

[2] Dorothy MacKenzie, "You can still shop to save the world," *New Statesman*, 10 January 2000.

[3] Mary Haffenberg, "Report from Tokyo: Net, leisure, green products hot in Japan," *Marketing News*, 25 May 1998.

[4] "How Green Is Your Market?" *The Economist*, 8 January 2000, p. 66.

[5] *ibid.*

[6] According to the World Trade Organization (WTO), "Most environmental problems result from polluting production processes, certain kinds of consumption and the disposal of waste products." "Trade Liberalization Reinforces the Need for Environmental Cooperation," *World Trade Organization*, <http://www.wto.org/wto/environ.htm>.__

[7] *Portland Oregonian*.

[8] *Portland Oregonian*.

[9] The WTO has considered the issue of voluntary eco-labeling within the Committee on Trade and the Environment (CTE) and the Committee on Technical Barriers to Trade (CTBT). The CTE is responsible for identifying the relationship between trade measures and environmental measures in order to promote sustainable development. To date, it has researched the trade-related aspects of voluntary eco-labeling schemes (including transparency concerns), eco-labeling schemes' conflicts with the TBT agreement, the limitations of life cycle analysis (LCA), and the environmental impact of production process methods (PPMs). It has given a great deal of attention to the question of how to bring voluntary eco-labeling systems into compliance with both the text and spirit of the TBT agreement. Now, however, the Committee has exhausted its mandate for further research; the issue has reached the point at which it needs to be addressed within the text of the TBT agreement.

[\[10\]](#) OECD, p. 6.

[\[11\]](#) “WTO Committee on Trade and Environment Discusses...Eco-labelling and Packaging.”
World Trade Organization, 13 Aug 1997, <http://www.wto.org>.

POLITICAL ANALYSIS

International Dimension

The Seattle Ministerial Conference marked a change in the political dynamic between industrialized and developing countries. Feeling that 1) the costs of free trade are beginning to outweigh the benefits for developing countries and that 2) bringing social issues into the WTO's ambit would further erode these benefits, developing countries formed alliances to fight against the establishment of a trade and labor working party, and they began using the consensus-based procedures of the WTO to defend their interests.

Following this development, as well as the Ministerial's failure to launch a new round of negotiations, it seems unrealistic to expect that WTO negotiations on a separate protocol for voluntary eco-labeling schemes will begin any time in the foreseeable future. The Seattle fight over labor issues only solidified the battle that awaits any effort to bring trade related social issues to the negotiating table.

A voluntary, private-sector based global eco-labeling scheme that incorporates the concept of mutual recognition, as well as other principles of the TBT agreement, would partially circumvent the need for a negotiated agreement and could help set the stage for negotiations in the future. The proposed scheme has been crafted so that it can serve as a working model for future negotiations within the WTO. The proposed implementation plan also accounts for the practical and technical concerns of developing countries.

The Domestic Dimension

The massive and violent demonstrations that took place outside the Seattle Ministerial meeting illustrate the political importance of trade related social issues, including environmental issues, for American citizens. Indeed, grassroots environmental organizations, in coordination with

organized labor and human rights organizations, have effectively lobbied Congress to block approval of fast track negotiating authority for the Clinton Administration.

To date, the United States has remained officially neutral on the issue of voluntary eco-labeling schemes within the WTO. Eco-labels have been used in the United States in relation to trade dispute issues (dolphin safe tuna and sea turtle safe shrimp), but the government remains concerned that eco-labels could be used to discriminate against U.S. products—particularly beef products and genetically modified organisms GMOs. It is conceivable that, if Vice President Gore wins the presidential election, he might bow to pressure from environmental groups and support the EU's bid to negotiate a separate TBT protocol on eco-labeling. If Bush wins the race, however, he will likely support the beef industry and remain neutral on the issue.

THE GLOBAL ECO-LABEL: A NEW APPROACH

By establishing a voluntary global eco-label, the private sector can address the current problems associated with eco-labeling, as well as help build developing country confidence in the benefits of eco-labels and create a model on which a future WTO agreement might be based.

However, in order for such an experiment to succeed, the global eco-label program will need to be carefully constructed. The criteria for allowing national product criteria to be recognized by the global eco-labeling scheme will need to be based on the principles of transparency, equal treatment for like products, scientific evidence, least trade restrictive measures, and environmental effectiveness. The framework for the program should be consistent with the TBT Agreement, be based on the concept of mutual recognition, conform to the International Standards Organization's environmental management standards (the ISO 14000 series),[\[1\]](#) and employ life-cycle analysis (LCA).

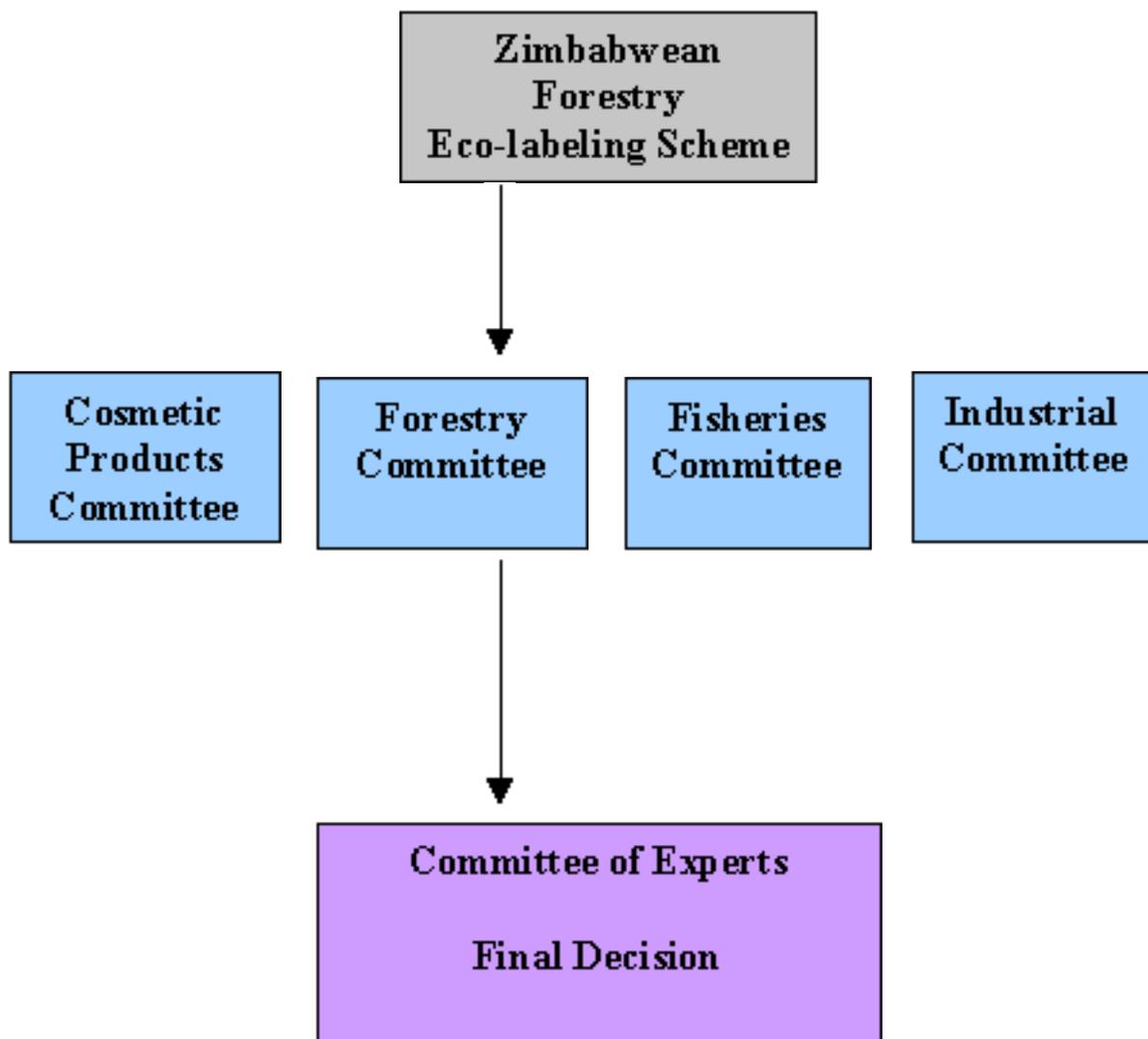
The Global Eco-labeling Scheme

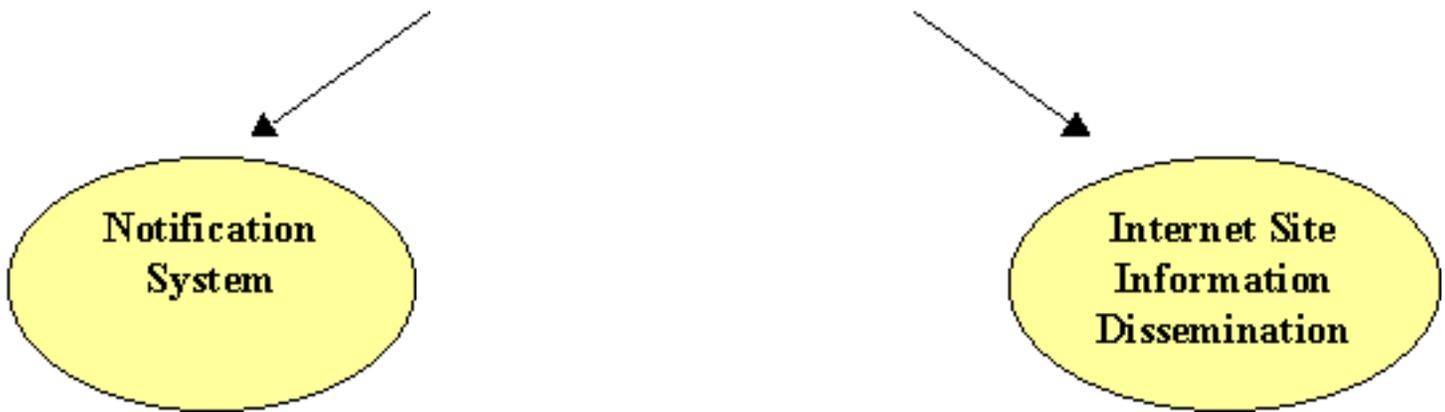
Under the proposed global scheme, independent eco-labeling programs would continue to draft product criteria and submit them to the global program for approval. Similarly, producers would continue to obtain certification from national schemes. However once the global scheme approves an individual program's product criteria, producers that meet those criteria would be granted the right to use the common global seal. Producers would have to apply just once (through their home eco-labeling program) to obtain approval to use a globally recognized eco-label. Foreign companies with overseas operations would apply for certification for their products within the country in which they manufacture those products.

Each national scheme would be judged on an industry specific basis (i.e. forestry, fisheries,

industrial products, agricultural products, etc.) and by an industry specific committee that includes representatives from all members of the global eco-labeling program. Committees will review incoming applications and form their recommendations within 30 days of receipt of an application. In turn, recommendations will be forwarded to a committee of experts, which would consist of environmental, economic development and international trade experts, as well as industry representatives and consumer advocates.

Notification provisions in the WTO TBT agreement require that eco-labeling schemes notify the WTO and member governments of product certification criteria and certified products. Accordingly, once the global program accepts a member program's product criteria, the global scheme will make the proper notifications to the WTO. The product criteria also will be made available on the global program's Internet site. The following organizational chart outlines the application process.





In this example, a Zimbabwean eco-labeling scheme has submitted forestry-related product criteria to the global eco-label for approval and mutual recognition among the members. The criteria are first considered by industry representatives of each member scheme (in this case the forestry committee). Then the committee drafts a recommendation for the committee of experts, which makes a final decision on whether to accept the criteria based on review of the application and consideration of the forestry committee recommendations. Once a set of product criteria is approved, the committee of experts forwards the relevant information to the notification committees for information dissemination to the public.

Certification Criteria

In order for an eco-label program to gain approval to use the global eco-label, its product criteria will need to meet the following requirements:

- The scheme must operate in a transparent manner;
- The product criteria must be formed in the least trade restrictive manner and address a relevant environmental problem;
- The national certification must be based on sound scientific evidence;
- The product criteria must adhere to the ISO 14021-14023 standards regarding voluntary eco-labeling schemes;[\[2\]](#)
- The product criteria may differ from the ISO standard in order to account for national environmental values, access to environmentally sound technologies, and the level of economic development;

- The committee of experts must determine that any deviation from the ISO standards have an equivalent environmental impact;
- National schemes must evaluate applications on the basis of scientific evidence;
- The national scheme must base their decision on life cycle analysis (LCA).

Life Cycle Analysis (LCA)

The decision to use life cycle analysis as part of the certification criteria will be somewhat controversial. Opponents of voluntary eco-labeling schemes have questioned the scientific validity of such analysis. Developing countries in particular are convinced that LCA is not uniform in nature, nor scientific in its evaluation. In their view, developed countries are likely to use LCA as a basis for protectionist purposes.

It is true that scientists lack concrete scientific data related to the environmental benefits of eco-labeling schemes. To date, experts have been unable to separate the scientific data regarding the benefits of eco-labeling from data regarding the environmental effectiveness of alternative environmental measures,^[3] and because eco-labels distinguish only between the relative environmental impacts of products, it is possible that they have only limited actual impact on the environment.

Nonetheless, many developed countries see LCA as a valuable tool for evaluating the environmental impacts of a product “from cradle to grave.” According to the EU’s *Groupe de Sages*,

“Life-Cycle Assessment can make a significant contribution in providing a scientific, unifying and transparent basis for the EU eco-labelling program. It is central to this program because it compares different products on the basis of their common function. It relates environmental impacts, at all stages from cradle to grave, to both market changes and technology improvements.”^[4]

Given that LCA is the only means of at least attempting to determine, on a scientific basis, the environmental impacts of a product, the global eco-labeling program should adopt LCA as part of its product evaluation process. However given developing country concerns about LCA, the global program will need to be willing to evaluate other evidence of a product’s environmental

impact.

Mutual Recognition

Mutual recognition agreements provide recognition of the equivalency of two different standards or criteria. Using mutual recognition for the global eco-label program will save manufacturers a great deal of time and resources by allowing products that are certified by their local eco-labeling scheme to be exported with the universally recognized global eco-label. Such an approach also helps minimize potential trade effects and maximize the environmental effectiveness of voluntary eco-labeling schemes (by allowing countries to tailor their own eco-labeling criteria to their own specific environmental problems).

For the global eco-labeling program, the determination of the equivalency of different programs should include consideration of local levels of economic development, access to environmentally sound technologies, and local environmental priorities. Critics of mutual recognition practices are concerned that such practices will allow developing countries to maintain weak environmental standards, thereby reducing the environmental effectiveness of eco-labels. However developing countries cannot afford to squander precious economic resources on policies and regulations that do not reflect the immediate economic and environmental conditions within the country. Moreover, developing country governments will be less inclined to establish eco-labeling programs if they do not believe their own environment and businesses will benefit from them.

The Global Seal

Products that meet global eco-label approved certification requirements would receive two seals: A seal that depicts plant Earth with a smiling face,

and an adjacent seal that indicates that a product complies with industry specific requirements. For example, a bunny would denote that no animals were used in the testing of a product; a tree would denote compliance with the forestry criteria; and a fish would certify a product's compliance with the fishery criteria.

Coverage

Ideally, voluntary eco-labeling schemes should maintain environmental standards that 5 to 30 percent of the product market can meet.^[5] This ensures that the market for eco-labeled products is big enough that producers will have an incentive to keep using eco-labels, but also ensures that the market is not so large that consumers perceive that the labels don't mean anything. Once product criteria cover more than 30 percent of the product market, voluntary eco-labeling schemes change their criteria in order to encourage innovation of environmental PPM's and clean technologies. This allows consumers to reward innovation and leadership among producers who continue to reduce their environmental impacts. In addition, this protects the marketing incentive for producers, whose advantage is diminished by the proliferation of eco-labels on the market. The global eco-label program should include a mechanism for continually reviewing its product criteria_

ACTION PLAN FOR ESTABLISHING A GLOBAL ECO-LABEL: OVERVIEW

Education and Marketing Campaigns

According to an OECD study, eco-labeling programs have been more successful in countries or regions in which there is a high degree of consumer awareness about environmentally preferable products.^[6] Accordingly, education campaigns can be vital to the economic success of voluntary eco-labeling schemes.

The global eco-label program should launch education campaigns aimed

specifically at increasing awareness of the link between PPMs and environmental damage. The campaign could be modeled on Sweden's successful "Environmental Choice" program, which has made a substantial impact on the market.

The global eco-label program should also launch marketing campaigns designed to build consumer recognition of the global eco-label as a credible label that can be trusted. These marketing campaigns should target consumers who consider environmental factors the second or third most important factor in their purchasing decisions.

Technical & Financial Aid

The global program should work in coordination with GEN to provide technical and financial aid to developing countries that wish to participate in the global eco-label program. GPA itself should sponsor several studies of market demand for green products in developing countries, the obstacles to technical transfers, the effectiveness of creating local standards to address local environmental problems, the potential markets for developing countries' green products, and the procedures of developing a certified voluntary eco-labeling scheme.

To coordinate financial and technical aid for developing countries, GPA and GEN should coordinate and cooperate with grassroots development agencies, as well the following international organizations:

- The World Bank
- United Nations Conference on Trade and Development (UNCTAD)
- World Trade Organization (WTO)
- United Nations Development Program (UNDP)
 - United Nations Environmental Program (UNEP)
 - United States Agency for International Development (USAID).

The focus of this work should be capacity building that enables developing countries to establish their own national eco-labeling schemes and to encourage increased production of environmentally sound products.

GEN already offers assistance programs to countries that are in the process of establishing

voluntary eco-labeling schemes. This assistance could be augmented by charging reduced application fees to developing country eco-label programs that apply for the right to use the global seal.

Transparency

The global eco-labeling scheme will need to provide information concerning its product criteria to consumer watchdog groups, environmental organizations and other relevant NGO's. This gesture will lend credibility to the scheme, as well as increase consumer exposure to relevant environmental problems. This information should be published on the global program's website, which publishes the product criteria of every member scheme. Consumers must visually recognize the seal and associate that seal with credibility and high environmental protection.

Building Government Support for the Global Eco-Label

In order to boost governmental support for the global eco-labeling scheme, the GPA should also provide information on the scheme to national governments. Within the United States, the GPA should seek out meetings with relevant officials at USTR and the EPA, as well as with members of Congress (especially members of the Senate Finance and House Ways and Means Committees).

[1] The International Organization for Standardization (ISO) is an international federation of national standards organizations. ISO seeks to create voluntary global harmonized standards in order to facilitate international trade. ISO has created international standards for products such as debit and credit cards and nuts and bolts, as well as for quality management issues (ISO 9000), and for environmental management (ISO 14000).

[2] ISO 14000 provides guidance for the following aspects of environmental management standards: Environmental Management Systems (EMS); Environmental Auditing & Related Investigations (EA&RI); Environmental Labels and Declarations (EL); Environmental Performance Evaluation (EPE); Life Cycle Assessment (LCA); and Terms

and Definitions (T&D). ISO's voluntary eco-labeling standards address common global issues yet provide flexibility for national schemes to establish product criteria that are relevant to their own environmental priorities and economic development status. ISO lays out the following criteria for the establishment of voluntary eco-labeling programs:

- Standards must have a positive environmental impact;
- They must be applicable to all nations;
- They should promote the broad interests of the public and the users of the standards;
- They should be cost effective, non-prescriptive, and flexible, to allow them to meet the differing needs of organizations of any size worldwide;
- As part of their flexibility, they should be suitable for internal or external verification;
- They should be scientifically based;
- Above all, they should be practical, useful and useable.

[3] OECD, pp. 33-34.

[4] The group cautioned, however, that "LCA . . . is a methodology still in the process of development, requiring additional research and systematic data collection. Therefore policy makers, competent bodies and practitioners must remain aware of the current capabilities and limitations of LCA and should support its continuous development." "The Methodology," EU Eco-labeling Scheme, <http://www.europa.eu.int/comm/environment/ecolabel/meth.htm>.

[5] OECD, p.37.

[6] OECD, p. 40.

ACTION PLAN FOR ESTABLISHING A GLOBAL ECO-LABEL: U.S. STRATEGY

Media Strategy

Within the United States, GPA should launch a marketing strategy aimed at:

- generating awareness of the environmental impact of certain PPMs,
- expanding visual recognition of the global seal, and
- gaining consumer trust regarding the environmental credibility of the scheme.

This advertising campaign will be similar to the “buy milk” campaign, in that the advertising strategy applies to the entire industry rather than one individual producer. GPA should put together an advertising campaign that includes newspaper and magazine ads, Internet banner ads and television ads. GPA should cover the cost of production and make the ads available to its members. Members should be responsible for paying for advertising time. GPA should also coordinate use of the ads in order to avoid unnecessary duplication. Small and medium sized enterprises should be encouraged to pool their advertising resources to contribute towards paying for a newspaper ad or television advertising time.

The Target Market

The objective of the marketing campaign is to increase awareness of the global seal among green consumers. Ads should target women and young adults, the populations that are most likely to consider the environmental effects of their purchasing decisions. The marketing campaign should also seek to increase Generation X and baby boomer interest in green products by addressing these consumer groups’ confidence and quality concerns about green products.

The Message of the Advertisements

The ads must convince consumers that the global eco-label, unlike many others, is environmentally credible. To address consumer concerns over quality issues, the ads should highlight the quality component of the certification criteria, and they should include information

about the global label's third party certification process. Reference to the ISO 14000 and ISO 9000 criteria that will guide product requirements should also be emphasized.

Perhaps most importantly, the ads will need to create visual recognition of the global eco-label. Every Internet banner, electronic newsletter, e-mail, television and newspaper ad must prominently display the eco-label as it will appear on products in stores.

Newspaper and Magazine Ads

Because the marketing campaign will need to reach a large number of people throughout the country, GPA should encourage its larger members to place ads in the following daily newspapers.

- Wall Street Journal
- New York Times
- Washington Post
- The Chicago Tribune
- Boston Globe
- The Denver Post
- The San Francisco Chronicle
- LA Times
- Seattle Times
- The Miami Herald

GPA has also placed *Newsweek* and *Time* on its list of target publications. The newspaper ad might picture a young adult trying to convince his/her parents to change their purchasing habits. The ad would address issues such as quality, credibility and the selectivity associated with the seal.

The Internet

The GPA should also advertise on Internet banners on web sites of interest to environmentalists and environmentally concerned citizens. The banner might include a picture of the seal and the phrase "Buy Green—the Earth depends on it." The banner would include a hyperlink to the global program website where consumers can learn more about the seal.

Television

The ad might picture young adults asking their parents to change their purchasing habits. The parents would offer some common excuses (quality, fraudulent claims), to which the young adult

would respond.

Alliances and Endorsements

GEN should be asked to attempt to form alliances with other environmental organizations in order to obtain their endorsement of the global eco-label (which will help establish consumer confidence in the label) and to gain these organizations' help with education campaigns and "buy green" campaigns. The organizations will be asked to inform their members of workshops and provide information concerning the link between environmental damage and certain production process methods.

The organizations that should be approached first are listed below. These were chosen on the basis of their previous support for eco-labeling practices, the visibility of the organization and the size of their memberships. Many of these organizations run their own voluntary eco-labeling schemes, but many would likely submit their criteria for certification under the global scheme:

1. Green Seal
2. Mothers and Others for a Livable Planet
3. Greenpeace
4. Consumer's Choice Council
5. National Audubon Society
6. Environmental Quality Initiative
7. Friends of the Earth
8. National Wildlife Federation
9. Sierra Club
10. Equal Exchange

The GPA should also forward information regarding its "Buy Green" campaign to the following organizations:

1. Fair Trade Federation
2. Head Waters International
3. Oxfam
4. Pesticide Action Network
5. Rainforest Action Network
6. Rainforest Alliance
7. Songbird Foundation
8. Terra Choice Environmental Services, Inc.

9. The Food Alliance
10. TransFair USA
11. Urban Ecology

The following list of organizations will be asked to participate in academic workshops and conventions:

1. Forest Stewardship Council
2. Institute for Agriculture and Trade Policy
3. Institute for Local Self Reliance
4. Institute for Policy Studies: Global Economy Project
5. Marine Stewardship Council
6. National Environmental Trust
7. Natural Resources Defense Council
8. Union of Concerned Scientists

Lobbying Strategy

Target Audience

The lobbying strategy should target the following members of Congress and government officials.

Senate

- Fred Thompson-TN
- William V. Roth Jr.-DE
- Trent Lott-MS
- Orrin G. Hatch-UT
- Daniel Moynihan-NY
- Robert Kerrey-NE

House of Representatives

- Ileana Ros-Lehtinen-FL
- Donald A. Manzullo-IL
- Kevin Brady-TX
- John Cooksey-LA
- Dana Rohrabacher-CA
- William D. Delahurt-MA

Government Officials

- Jennifer Haverkamp, Assistant USTR for Environment and Natural Resources
- H.J. Rosenbaum, Assistant USTR for Trade and Development
- Mary C. McKiel from the EPA Standards Network.

Press Coverage

The GPA should periodically contact reporters that cover trade and environment issues to update them on progress toward establishing the global label.

The Education Campaign

The goal of the education campaign should be to increase awareness of environmental problems, which in turn should increase demand for green products and instill consumer confidence in certified eco-labels. The educational campaign should highlight:

- The link between certain PPMs and environmental degradation;
- The link between environmental damage and health problems; and
- The difference between voluntary eco-labeling schemes and self certified claims.

This information would be circulated in e-mails to members of environmental organizations and newsletters such as the Eco Newsletter and Guardian Newsletter. The GPA should encourage environmental organizations to post the information on their websites.

Workshop

GPA should sponsor a workshop in the United States regarding the direct link between certain PPMs and environmental damage. The workshop will include seminars regarding the environmental effect of buying green products, emerging trends in green consumerism, the objectives and criteria of the global voluntary eco-labeling scheme, and the potential health risks associated with certain PPMs. The workshop will include scientific environmental experts, green industry experts, and government officials, such as:

- Jennifer Haverkamp, Assistant USTR for Environment and Natural Resources
- Mary C. McKiel from the EPA Standards Network
- John Cuddy, Officer in Charge of Trade Division & Coordinator for Sustainable Development at UNCTAD
- Chad Dobson, Director of the Consumer's Choice Council
- David Dounes of the Center for International Environmental Law (CIEL)
- Charles Benbrook, Consultant for Consumers Union and Institute for Agriculture and Trade Policy
- Mr. Michael Jones from the UK Eco-labelling Board

GPA will conduct a press conference at the end of the workshop. Environmental organizations will be encouraged to circulate information regarding the workshop and the links between PPMs and environmental damage to their membership via e-mail.

Research

GPA should finance several studies regarding green market demand:

- **Links between Consumer Confidence and Demand.** This study would determine the extent to which consumer confidence has decreased demand for green products. It would also gauge the number of consumers that buy self-certified green products and explore options for regulating misleading and fraudulent environmental claims.
- **Consumer Awareness.** This study would examine consumer awareness of a variety of environmental issues. In addition, it would identify the ten most important environmental issues for American consumers and the ten most important factors in determining whether Americans buy green products.
- **Market Demand in Developing Countries.** This study would gauge market demand for green products in Brazil, Argentina, Chile, Mexico, Costa Rica, India, Philippines, Thailand, Pakistan, Korea, Taiwan, China, South Africa, Nigeria, Botswana, Kenya, Romania, Poland and the Czech Republic.

ACTION PLAN FOR ESTABLISHING A GLOBAL ECO-LABEL:

INTERNATIONAL STRATEGY

Media Strategy

GPA should seek out European and Japanese counterparts to create their own marketing campaign for the global label—campaigns that reflect their own regional concerns and cultural characteristics. Like the U.S. media campaign, these overseas campaigns should emphasize visual recognition of the global eco-label.

Lobbying Strategy

GEN should be asked to coordinate with its member eco-labeling programs around the world. The goal will be to assess countries' political stance toward and popular support for eco-labeling and to identify national stakeholders. The following countries should be targeted:

- Brazil
- Israel
- New Zealand
- Croatia
- Hungary
- India
- Thailand
- Korea
- Taiwan
- Zimbabwe

In discussions with developing country government officials, emphasis should be placed on explaining how the global program, in coordination with GEN, will provide developing countries with the appropriate economic and technical resources for effective implementation of their own eco-labels. The mechanisms for ensuring that the global eco-label is not used as a protectionist barrier will need to be explained fully, as well as how the global label will actually help open markets to green products.

Education Campaign

The workshop described in the domestic strategy will also evaluate international issues such as:

- the environmental problems of developing countries;
- the disjunct between environmental problems and national priorities;
- barriers to the establishment of environmentally sound priorities; and
- the difference between mutual recognition agreements and international standards.

In addition, GPA should conduct an education campaign in targeted developing countries. GPA should initially focus on countries such as Mexico, China, Nigeria, Venezuela and Turkey. At a later date, GPA should consider adding Brazil, South Korea, Zimbabwe, South Africa, Thailand, and Eastern European countries such as Poland, the Czech Republic, Romania and Hungary. GPA should hire consultants to assess the appropriate manner in which to approach each country (accounting for cultural and political characteristics that may aid or impede GPA's effort).

Research

GEN will be asked to research the following issues:

- **Obstacles to technical transfers.** This study should look at the barriers to technical transfers, as well as developing country access to environmentally sound technology, information dissemination of technical information, and access to information regarding market trends abroad.
- **The effectiveness of local standards for local environmental problems.** This study should attempt to prove that environmental standards must reflect local environmental priorities and values if they are to have the greatest environmental effectiveness. The study should investigate the legitimacy of the notion that developing countries will be able to export eco-labeled products under lower environmental standards.
- **Comparative Advantage in Environmentally Friendly Markets.** This study should identify LDC and developing country green

products that have strong export potential.

GEN should also be asked to put together a handbook that details the resources needed to establish a voluntary eco-labeling scheme, the procedures for developing a scheme, the criteria for global program certification and an outline of GEN assistance programs.

APPENDIX 1

STAKEHOLDER ANALYSIS

The National Schemes. The global eco-label might hurt independent and national eco-labeling programs because these programs would have to allow the global scheme to determine mutual recognition for exporters in their domestic market and would have to change their visual seals. However, independent and national programs would retain the right to certify producers and create product criteria within the guidelines of the global scheme, and the benefits of the global program are expected to significantly outweigh its costs. The global program will increase the environmental effectiveness of eco-labels, reinvigorate the market for green products, and will provide additional marketing exposure for existing programs (albeit under the guise of the global seal).

Producers. The global eco-labeling scheme is expected to decrease the costs of exporting green products and expand market opportunities for developing country green producers. The scheme will create an incentive for producers to use environmentally sound PPMs.

Developing Country Governments. Developing country governments are concerned that integration of the trade-related environmental agenda into the WTO will result in costly mandates for international environmental regulations and, ultimately, increased barriers to trade. Although, in the past, international environmental regulations have not reflected the local environmental problems of developing countries, the global eco-label program uses the concept of mutual recognition and equivalence to ensure that producers from developing countries can obtain an internationally recognized eco-label based on local environmental standards. This would reduce administrative and adaptive costs for producers in developing countries, and GEN will be asked to

offer technical assistance that will further enable developing country programs to operate successfully.

Environmental Organizations. Some environmental organizations may be critical of the global eco-label because it will rely on mutual recognition rather than absolute standards for its certification criteria. Environmental organizations will likely fear that this may mean lower standards. GPA must convince its skeptics that a network of location specific standards will be more environmentally effective than one global standard. It will also need to emphasize that the global scheme will help increase developing country awareness of environmental issues and improve the environmental effectiveness of voluntary eco-labeling schemes.

The World Trade Organization. The global scheme would provide a working example of a WTO compliant, voluntary eco-labeling scheme. The global eco-labeling scheme would incorporate transparency mechanisms such as full disclosure of product criteria and certified schemes on its website. Transparency would provide consumers, producers and international organizations such as the World Trade Organization (WTO) with the opportunity to evaluate how the scheme works. The concept of mutual recognition will streamline administrative procedures, and reduce adaptive costs.

APPENDIX 2

AMERICAN DEMAND FOR GREEN PRODUCTS

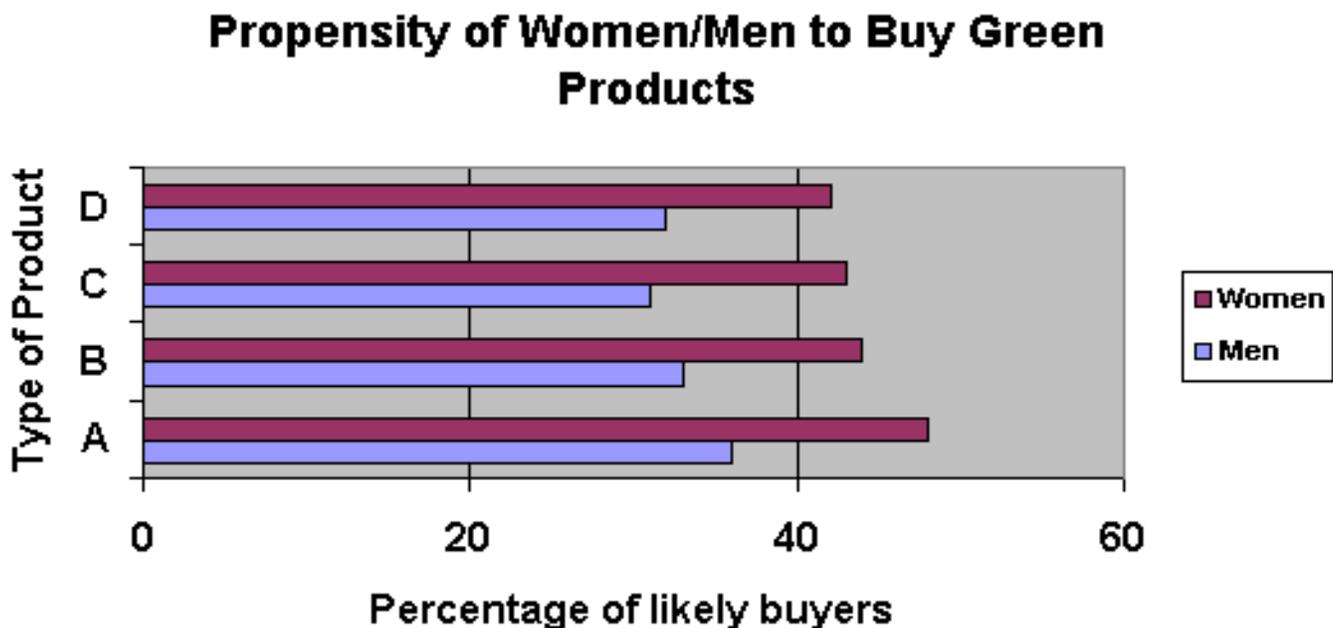
According to the Hartman Group, the “New Green Mainstream” comprises 23 percent of the American population.[\[1\]](#) Seventy-eight percent of this group is female. The consumer group is further broken down into the following groups:

- True Naturals. This group is dedicated to purchasing environmentally friendly goods. It represents seven percent of the total consumer base and is 73 percent female.

- Affluent Healers. Members of this group are cynical about environmental product claims but manage large discretionary incomes and will make purchases if they perceive value for themselves and/or their families. This group represents 12 percent of the population, and it is 77 percent female.
- Young Recyclers. This group is concerned about the environment, but does not have the discretionary income to pay a premium price for green products. It represents 10 percent of the population and is 73 percent female.

The Hartman Group also found that 45 percent of women and 36 percent of men have tried a new brand because they perceived it to cause less harm to the environment than another brand. 57 percent of women and 41 percent of men reported that they were more likely to switch brands if they felt that a product damages the environment.

As indicated in the chart below, women are also significantly more likely to buy products made from recycled products, sold in concentrated form, sold in refillable packages, or packaged in non-aerosol spray bottles.



Product A = Products made from recycled materials

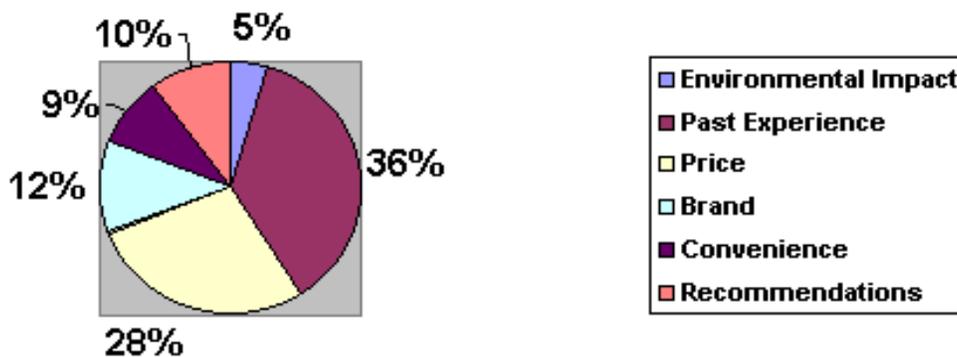
Product B= Products sold in refillable packages

Product C= Products with concentrated formulas

Product D= Products packaged in non-aerosol spray bottles

Although the number of consumers that consistently make purchasing decisions based on environmental factors remains small, most analysts believe the market potential for green products is large.[\[2\]](#)

Primary Factor in Purchasing Decisions



Trends in American Demand

1990-1993

With studies showing that nearly 75 percent of consumers were willing to pay a premium price

for environmentally sound products, producers of green products expected phenomenal returns after the 1990 Earth Day Summit. The reality was quite different. As of 1993 only 35 percent of consumers were acting on their intentions to buy green products.

Factors such as poor product quality, high prices and skepticism toward environmental claims decreased consumer demand for green products. And consumers were more concerned with quality and price than environmental impacts during the recession of the early 1990s.[\[3\]](#) The green market for environmental products was not small, but it failed to meet the expectations of producers.

1993-1996

Producers remained disappointed until the mid-1990s as consumers turned away from high priced, low quality green products. Consumers were looking for high quality, low environmental impact products at low prices, but green products were stereotyped as high priced inferior products.[\[4\]](#)

One likely reason for consumers' lackluster demand for green products during the mid-90s was their confusion and skepticism about marketing claims.[\[5\]](#) There were too many eco-labels on the market, and customers often cynically assumed that companies were only trying to exploit their concerns rather than actually provide environmentally superior products.

The consumer backlash against eco-friendly products mellowed around 1995, when demand for green products increased to 40 percent and consumers became willing to pay large premiums for green goods.[\[6\]](#) This is likely due to the health of the economy, the innovation of high quality green products, and the emerging purchasing power of Generation Y consumers.

1996-1999

Recent years have seen a resurgence of concern for the environment.[\[7\]](#) Analysts believe this is a result of an emerging new group of consumers, Generation Y, which includes young adults who were born between 1979 and 1994 and grew up learning about environmental problems. At least one study has documented that half of Generation Y is significantly more aware of and concerned about environmental issues than the baby boomer and Generation X generations. Generation Y children are also asking their parents to do something to help the environment.[\[8\]](#)

APPENDIX 3

SAMPLE BRIEFING NOTE FOR PRESS CONFERENCE

The global program should be announced at a press conference held in conjunction with its educational conference. This briefing note is intended for the official that will represent the global eco-labeling program at the press conference. The press should be given a document that includes sample quotes and comments pertinent to the global eco-labeling scheme. The press should also be given names and brief bios of experts in attendance. Several experts should be available for questions.

Objectives

This press conference aims to inform the press and the public about the proceedings of the educational workshop. It should support the overall objective of the workshop by increasing the credibility of the global scheme. The press conference should also be viewed as a tool for building public awareness of environmental issues and the importance of “buying green.”

Talking Points

- Several studies show that over 90 percent of all environmental damage is caused by production process methods.
- Experts have found that environmental damage, specifically air and water pollution, have a long-term detrimental effect on health. Such problems are most prevalent in developing countries that do not have adequate infrastructure in place to properly dispose of garbage and industrial waste such as toxic chemicals.
- Each region and country has different environmental problems that reflect the regional environment. Some regions of the world have higher/lower tolerance for specific types of pollution or environmental damage; therefore harmonized international standards do not always provide the most efficient environmental solutions.
- Mutual recognition often provides a convenient and effective manner in which to guard the environmental impact of production process methods. Rather than regulating specific acts that may or may not address a global environmental issue, the global eco-label program is

designed to recognize when two different standards maintain the same level of protection for the environment.

[1] “Package Products in a Manner that is Good for the Environment,” *About Women, Inc.*, 10 (6) June 1997.

[2] Tibbett L. Speer speculates that the potential “guilt gap indicates fertile ground for upping the ante on America’s environmental conscience. If our concern is close enough to the surface, it might not be too difficult to stir it into action.” In Speer, “Growing the Green Market,” *American Demographics*, August 1997 (p. 4).

[3] Lisa E. Phillips, “Green Attitude,” *American Demographics*, April 1999.

[4] Speer.

[5] Lois A. Mohr, Dogan Eroglu, and Pam Scholder, “The Development and Testing of a Measure of Skepticism Toward Environmental Claims in Marketers’ Communications,” *Journal of Consumer Affairs*, Summer 1998; Dorothy MacKenzie, “You Can Still Shop To Save the World,” *New Statesman*, 10 Jan 2000.

[6] Jacquelyn Ottman, “Innovative Marketers Give New Products the Green Light,” *Marketing News*, 30 March 1998.

[7] Phillips, p. 1.

[8] *ibid.*