



CBTF Symposium's Summary

Environmental Requirements and Market Access: Turning Challenges into Opportunities

3 October 2007, Geneva

I. Introduction

The symposium on *Environmental Requirements and Market Access: Turning Challenges into Opportunities* was organised under the auspices of the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF). It was held on 3 October 2007 at the International Conference Centre Geneva. About 80 participants attended this meeting from national governments and permanent missions based in Geneva, international organisations, research institutes and academia, and civil society organisations. Several participants working for government, producers and farmers associations, as well as private sector organisations, were invited from developing countries, including Cuba, Costa Rica, Mexico, Rwanda, Tanzania, Uganda, Kenya, Egypt, China, Thailand and India.

The symposium aimed at offering a platform for dialogue where governments, international organisations, enterprises and civil society organisations could discuss and identify concrete ways to help developing countries seize market opportunities offered by environmental requirements and standards. More specifically, the main objectives of the symposium were:

- (i) To address the challenges and constraints facing developing countries' access to organic agriculture and consumer electronics markets due to increasingly numerous, stringent and complex environmental standards and requirements; and
- (ii) To identify market opportunities created by environmental standards and technical requirements in these two key export markets of developing countries.

The symposium was divided into four main sessions. The high-level opening session, which was chaired by Mr. Shafqat Kakakhel, Deputy Executive Director of UNEP and by Mrs Lakshmi Puri, Acting Deputy Secretary General of UNCTAD, consisted of four opening statements by H.E. Mr. Echart Guth, Ambassador, Permanent Mission of the European Communities to the WTO; Mr. Harsha Singh, Deputy Director General of the WTO; Mr. Paulo de Mesquita, Minister Counsellor, Permanent Mission of Brazil to the WTO; and Ms. Katharina Kummer Peiry, Executive Secretary, Secretariat of the Basel Convention.

The second session focused on the concerns, challenges and opportunities developing countries face in the organic agriculture sector. The session was chaired by H.E Mr. Arsene M. Balihuta, Ambassador, Permanent Mission of Uganda to the UN. The presentations were given by Ms. Felicia Echeverria Hermoso, private consultant, Costa Rica; Mr. Musa Kiggundu Muwanga, Coordinator, National Organic Agricultural Movement of Uganda; and H.E.Mr. George William Kayonga, Ambassador, Permanent Representation of Rwanda to UNEP.

The third session, which was chaired by Miguel R. Bautista, Head of Economic and Environmental Affairs section, Permanent Mission of the Philippines to the UN, dealt with waste, recycling and energy efficiency requirements for electrical and electronic goods. Speakers included Mr. Kurt van der Hertten, Policy Officer, Sustainable Production and Consumption, DG Environment, European Commission; Mr. Rajoo Goel, Secretary General, ELCINA Electronic Industries Association of India; and Mr. Charuek Hengrasmee, President, Electrical and Electronics Institute of Thailand.

The final session provided a summary of the main concluding points and recommendations raised during the day's discussion.

This symposium's summary sets out the main issues and findings arising from the meeting. Without attempting to itemise all the important contributions made, it provides an overview of the main issues raised by participants and outlines suggestions and recommendations for future work, notably in the field of capacity building. It does not represent a consensus document by governments and other participants attending the symposium. Rather, it is offered as a source of information, which summarises important discussion points on which the CBTF team will continue to seek input and guidance as it prepares for the third phase of the CBTF initiative. This summary is organised according to the three main sessions of the symposium outlined above. All documents related to the CBTF symposium, including speakers' presentations, agenda and participants' list, are available at: <http://www.unep-unctad.org/cbtf/events/geneva5.asp>.

II. Opening session: summary of the main issues outlined in the opening remarks

The importance and relevance of environmental requirements and standards in the context of market access for developing country products was emphasised by all speakers. It was highlighted that World Bank, OECD and UNCTAD research shows that technical and related environmental and health requirements account for anything between two-thirds and three quarters of all NTBs, affecting virtually all internationally traded goods. While noting the relevance of the subject to both poverty and international environmental challenges such as climate change, some speakers also emphasised the importance of several international processes/forums where these issues figure prominently, notably:

- (i) The Doha trade negotiations, as well as WTO discussions in the CTE, SPS and TBT Committees. For example, CTE Members have taken note of the rapidly growing consumer demand for organic products, as well as the increasing complexity of environmental requirements and the increase in private sector voluntary and global supply-chain driven initiatives. Since mid-2006, the SPS Committee has been discussing the impact of voluntary private standards on market access, with particular emphasis on the EurepGAP (recently renamed into GlobalGAP) standard. In the TBT Committee, out of the 875 notifications made in 2006, 179 (approximately 20%) related to environmental protection.
- (ii) Since 2004, UNCTAD's Consultative Task Force on Environmental Requirements and Market Access for Developing Countries has undertaken analytical and sector-focused capacity-building activities to systematically investigate the interface between environmental requirements and market access.
- (iii) The Basel Convention which is concerned, amongst others, with the proper handling of ICT equipment containing hazardous substances and the trade of such obsolete ICT products (e-waste) in the face of a rapidly expanding markets for ICT goods and other electronic and electrical products.

All speakers acknowledged that developing countries are affected by the rising number of both mandatory requirements and voluntary environmental standards. They pointed out some of the major challenges faced by developing country producers and exporters. They include:

- The cost of compliance and certification, especially for small producers.
- The lack of harmonisation between different standards. In this context, one speaker pointed out that the harmonisation of standards would be a significant step towards the promotion of trade, environment and development and that WTO Members should make more use in the revision of national regulatory regimes and standards of existing internationally defined set of standards for organic agricultural products, in particular the Codex Alimentarius standard (for regulation) and the IFOAM Basic Standards (for standards).
- The lack of timely and up-to-date information on existing and new environmental requirements, their analysis and appropriate dissemination.
- The lack of consultation between developed and developing countries when crafting and implementing new environmental regulations. On this issue, it is interesting to note that the EC requires a comprehensive impact assessment procedure of all draft legislative proposals, and for minimum standards of consultation of all stakeholders, including in non-EU countries.
- Poor physical and quality-assurance infrastructure and institutional capacity, which explains why developing countries often tend to adopt a reactive and fire-fighting approach to environmental requirements affecting key export sectors, such as textiles and clothing, electrical and electronic equipment, automotive parts and chemicals.
- The absence of a level playing field in e-waste management between developed and developing countries in order to prevent health and environmental problems.

Turning to opportunities, all speakers noted the role and importance of technical assistance and capacity building initiatives, which can contribute to helping developing countries adopt and implement a more proactive approach to environmental requirements and standards. It was also mentioned that:

- Voluntary instruments such as eco-labels or geographical indications can provide access to increasingly important niche markets in developed countries.
- Regional standards, such as the East African Organic Products Standard, which was developed in cooperation between public and private stakeholders under the CBTF initiative, can be an important means of boosting trade and market development in developing country regions, as well as assisting producers to gain access to overseas export markets and influence international standard setting processes.
- The involvement and contribution of the private sector, notably in the case of technology needs, is key. Public-private partnerships, stakeholder networks, and corporate social responsibility initiatives need to be encouraged to allow for the emergence of new cooperatives avenues among all stakeholders.
- It is important to identify front-of-pipe tools and mechanisms as integral part of pro-active adjustment approaches and strategies by developing countries in order to effectively turn challenges into opportunities.
- Opportunities offered by future liberalisation of environmental goods and services, as well as results from trade negotiations in both agriculture and NAMA, will enhance the participation of developing countries in trade and their capacity to develop their own environmental goods industry and technology.
- The interface between environmental requirements and market access can be seen in at least two ways. One is to consider turning the challenges of environmental requirements into market access opportunities. Another could be to turn the challenges of both environmental requirements and market access into opportunities. The ambit of the latter is wider, and particularly for developing countries, market access and growth provide greater possibility of addressing environmental requirements.

When concluding, all speakers welcomed initiatives like this CBTF symposium, which provide information and better understanding, as well as analytical and empirical input to find creative solutions. They all noted the need for regular and continued consultations and exchange of views of both needs and opportunities faced by developing countries, notably in the organic agriculture and electrical and electronic goods sectors.

III. Organic agriculture session: concerns, challenges and opportunities for developing countries

The economic, environment and social benefits for organic agricultural producers and for consumers were emphasised by all speakers and many participants. Compared to conventional agriculture, organic agriculture food markets are growing 4-5 times faster, at a 15% average globally. However, while the world organic market represented US\$34 billion in 2005, food sales at US Walmart supermarkets amounted to US\$70 billion that same year. Important trends in the growth of the organic market include:

- Strong consumer demand.
- Stronger demand for processed foods (e.g. cereals, frozen and baby food) than for fresh fruits and vegetables.
- Concentration of processing and marketing in corporate hands (e.g. Coca Cola, Kraft, Kelloggs, Novartis).

Proliferation of organic agriculture standards

The multiplicity of standards, both public and private, is a reality. It has an impact on the cost of certification, accreditation and labelling. For example, organic sugar cane from Cuba needs to comply with different standards when exported to European, Japanese or Swiss markets. Some participants were of the view that standard harmonisation was of paramount importance. It was suggested that in the future more reference should be made at multilateral level to the two existing international standard for organic agriculture (i.e. that of CODEX and IFOAM's Basic Standards). Discussion also addressed both advantages and disadvantages of having an African Union organic agriculture standard. Other participants argued, however, that standard harmonization was not necessarily desirable nor adequate given different country characteristics and needs.

Possible ways forward suggested by participants included:

- The promotion of regional standards, such as the East African Organic Standard.
- Developing formal interface mechanisms between existing organic standards (in particular the Codex Alimentarius and the IFOAM Basic Standards) and important international voluntary standards for conventional agricultural products (e.g. GlobalGap) to avoid the need for, and cost of double certification and accreditation.
- Ensuring that within the importing market, private standards are not allowed to be much more stringent than national requirements approved by the government (for example in the US, private certifiers may not impose requirements above and beyond the national standard).

Lack of awareness and information among producers and consumers

Farmers in developing countries, especially small producers, often lack information, knowledge and understanding of organic agriculture requirements. This is all the more important as these requirements change at a rapid pace and tend to become more stringent and complex. One participant noted that the certification

process is too long and that farmers often end up with certificates, which expire shortly after they are obtained. There is a need therefore for supportive government policies in developing countries. Some participants consider that the role of government is very important, notably for providing the necessary information and extension services, establishing affordable local control systems, promoting best practices, and lobbying trade partners and private sector actors, such as supermarkets, on behalf of farmers. Other participants warned that the role of government also depends on the level of development of the sector. Before regulating, it is important to understand private sector needs.

One way forward is to promote public-private consultation mechanisms where all stakeholders can identify important bottlenecks and jointly support the development of organic agriculture. Increased cooperation among organic traders within a country/region was also stressed as an important factor to ensure that trade and business opportunities are effectively tapped.

Inadequate and insufficient participation of developing countries

All participants agreed that developing countries do not adequately participate and influence existing standard setting processes. This is due to several factors:

- Lack of dialogue between developed and developing countries.
- Inadequate international consultative mechanisms and lack of regional dialogue platforms where developing country representatives can voice their concerns and needs.
- Lack of consultation and cooperation amongst developing countries, and of a unified strategy reflecting developing country perspectives.

Some suggestions for addressing this challenge focused on (i) establishing simpler consultation mechanisms at both regional and international levels, which allow for a real participation of developing countries; (ii) building the capacity of developing countries to elaborate their own strategy based on their domestic production, marketing and export needs.

Stringent market requirements

With an increasing share of large retailers in total sales of organic products, one of the key challenges for organic farmers is that “the market is conventional while the products are organic”. While corporate owners and markets ask for large quantities and lower prices of one single product, organic agricultural farmers produce and revenue-wise often rely on several products, which should fetch a price premium given the requirements they comply with.

At the same time, there are also opportunities for dealing with supermarkets as it can be an incentive for investing in modern processing methods and moving out of small-scale farming. Other participants stressed the importance of alternatives, such as cooperatives and small-scale trade initiatives. All participants agreed that it is important to avoid dependency vis a vis one market or one importer, and thus to explore different avenues for selling products in both local/regional markets and at the international level.

IV. Electrical and electronic goods session: waste, recycling and energy efficiency requirements

Important features and recent developments of the electrical and electronic goods sector were noted by several participants. More than 50% of the global production capacity in this sector has shifted to Asia and there is fierce competition between Asian manufacturers. Success largely depends on economies of scale and being able to meet environmental requirements. While the demand for consumer electronics such as mobile phones, PCs, TVs and DVD players, to name but a few, is rapidly developing worldwide, so is the generation of e-waste, including hazardous waste and toxic material. In India for instance, there has been an explosive growth of electronic equipment sold at the national level (with annual rates of growth of 30-35 per cent recently), which will result in a 11th fold increase in the generation of e-waste till the year 2012.

Lack of knowledge and understanding of international standards, testing and reporting requirements

As is the case for organic agriculture, the lack of knowledge and awareness was emphasised several time by participants given the technical complexity of requirements affecting the EEE sector. In particular, eco-design requirements is a new and crucial issue. There are problems of definition in terms of what eco products, green products and/or sustainable technology products are. Whilst company-based definitions exist, it is not clear whether they necessarily integrate all aspects of important legislations coming from large importing markets such as the EU and Japan. In addition, one participant rightly pointed out that because technology evolves, definitions of what is an eco-product are also likely to change. This becomes a challenge for smaller companies, which do not have sufficient resources to dedicate staff and time to monitor evolutions at the

international level and to translate them into company practices. At the same time, eco-design requirements can be a tool for innovative practices that lead to material and energy efficiency, as well as higher occupational safety.

Lack of training and resources to effectively address environmental requirements

Given the complexity and multi-dimensional aspects of environmental requirements, capacity-building needs were stressed by several participants. Many argued that it is important to train people and to 'train-the-trainers' to disseminate knowledge and information at the national level. Both capacity-building tools and processes at the domestic level will ensure that there is a correct understanding and interpretation of environmental requirements, and that early warning systems are in place to identify and address the implications of new regulations. In Thailand for example, national sub-committees were set up to review the impact of each EC Directive; feasibility and pilot studies were undertaken in various products (e.g. mobile phones or batteries); training on waste management and eco-design was conducted. Other innovative measures include a Thai RoHS voluntary networking initiative.

Overall, many participants outlined (i) capacity needs of SMEs, which represent the majority of enterprises in many export sectors in developing countries, (ii) the importance of building capacity across concerned ministries, and (iii) developed countries' supportive role, notably by ensuring that lessons are learned from implementation of past regulations and by undertaking pilot projects on the implications of new regulations. It was also pointed out by several speakers that drawing the preliminary lessons from the implementation of the RoHS and WEEE Directives and of the Japanese Home Appliances Recycling Law at national and sub-regional level was important for guiding effective pro-active adjustment approaches to the EuP Directive. One participant noted the positive experience from having an influential focal point and/or institution (i.e. a "champion") at the national level, which can act as a catalyst and ensure coordination, follow-up and implementation by relevant national stakeholders.

Inadequacy of available infrastructure facilities

Some participants emphasised that the concerned developing countries suffer from inadequate quality-assurance infrastructure (i.e. testing and metrology labs, and accreditation agencies) - all essential for enabling companies to effectively participate in international trade and environmentally sound management of e-waste. It was noted that various initiatives are underway, for example under the Basel Convention, to address the issue of proper management of e-waste but financing of these initiatives need to be enhanced.

Stringent and complex standards in the EEE sector tend to reinforce existing infrastructure weaknesses in developing countries. In this context, there is an opportunity to develop a combined adjustment strategy for both complying with international requirements and addressing the problem of e-waste generation and material and energy efficiency at the domestic level. Pro-active adjustment strategies by developing countries also requires that practitioners and policy-makers adopt a more systematic and focused approach towards environmental requirements and consider their potential beneficial or catalytic effect in inducing a shift towards more sustainable production and consumption methods.

V. The Way Forward

As mentioned in the introduction to this meeting report, the CBTF symposium is the beginning of a consultative process for the next phase of CBTF activities (CBTF III), which will hopefully start in early 2008. Substantive points and recommendations raised during the symposium will be used as input and guidance for further CBTF III preparations and implementation. Experts and institutions present at the symposium will also be consulted on a regular basis, as well as trade negotiations and policy-makers from both developed and developing countries in order to ensure that CBTF III addresses problems and issues as they arise in important negotiating forums.