

Overview

Environmental/Health Requirements, Market Access and Export Competitiveness Trends, Problems and Approaches

Sub-regional Workshop on Environmental Requirements, Market Access and Export Competitiveness for Horticultural Products
ITD, Bangkok, 29 September to 1 October 2004
Presented by: Ulrich HOFFMANN, UNCTAD secretariat

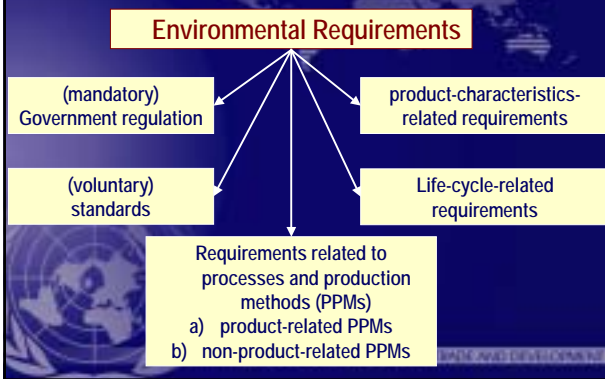
Abstract

Nature, range and trends of environmental/health requirements

Findings on the problems

Nature and thrust of CTF activities

Nature of Environmental Requirements [1]



Nature of Environmental Requirements [2]

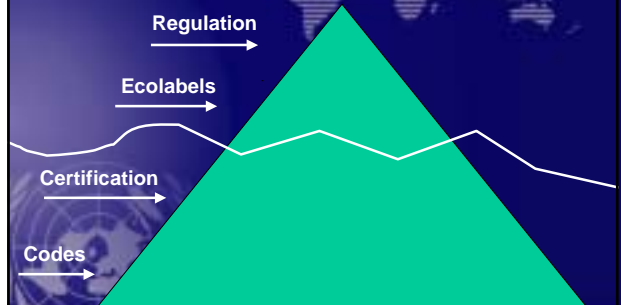
- Labelling requirements (either mandatory or voluntary, such as eco-labelling),
- Recycled-content and packaging requirements
- Recyclability or bio-degradability
- Take-back obligations
- Energy efficiency requirements
- Product taxes and charges
- Threshold or maximum residue levels for certain substances
- Quotas and Non Automatic Licensing (to implement MEAs)
- Extended producer responsibility or product stewardship

Nature of Environmental Requirements [3]

- Voluntary measures and private sector standards appear to be much more frequent than Government environmental product regulations. These include:
 - Standards, codes and benchmarks
 - Supply chain management (labels, tracing/tracking systems, management requirements, etc.)
- There are only few international standards for environmental regulations

Nature of Environmental Requirements [4]

The Environmental Requirements Iceberg



Trends in Environmental Requirements

International Trade Centre:

- Almost 4,000 of 5,000 products traded internationally face environment- or health-related requirements.
- LDC exporters are the most-affected.
- Requirements are getting more **stringent, frequent and complex**.

More stringent, frequent and complex ...

Environmental requirements are becoming more frequent, because

- growing evidence of harmful environmental effects of certain substances
- more sophisticated inspection and testing methods
- changes in consumer preferences
- are used by governments and companies as competitive tools

More stringent and complex: examples ...

Stringent

- In the area of MRLs, transition from PPM to PPB

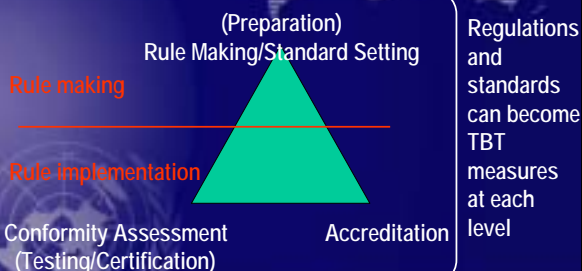
Complex

- Topics of EurepGAP protocol for fruits and vegetables:
 - traceability
 - record keeping
 - varieties and rootstocks
 - site history and site management
 - soil and substrate management
 - fertiliser usage
 - irrigation
 - crop protection
 - harvesting
 - post-harvest treatment
 - waste and pollution management, reuse, recycling
 - occupational safety
 - environmental issues
 - complaint form
 - internal audit

Very Problematic Trends

- There is a shift in emphasis from "risk management" to "risk minimization" or "avoidance"
- Trend towards integrated environmental management that addresses environmental impact of the total life cycle of products

TRIANGLE of "Environmental Quality Assurance"



Putting ERs into Context

- Enhanced globalizability of investment and trade leads to universal application of specific ERs and their harmonization
- Many ERs, in particular mandatory requirements, are an attempt of internalizing some environmental externalities
- With increasing liberalization of tariffs, ERs have the potential of being turned into versatile NTB.
- Trend towards industrial redeployment has opportunities and constraints
- A tool of companies in the competitive battle with rivals; gain or temporarily maintain a competitive edge over rivals.
- DCs need to exploit full national benefits of meeting external ERs, notably in terms of resource efficiency, pollution intensity, occupational safety and public health (Important are dynamic effects that also reduce adjustment costs)
- ERs are becoming an integral part of product quality

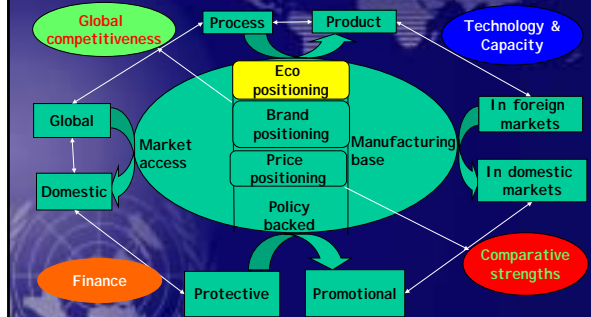
Particular Challenges for DCs

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- High frequency and stringency of environmental requirements in sectors, where DCs are very competitive (e.g. textiles, leather, fishery products, fruit and vegetables, wood products, IT products)
- Importance of SMEs in some of these sectors
- DCs often sell standardized mass products or commodities, where there is little room for cost increases due to environmental requirements
- Structural differences between DCs and DMEs (i.e. important role of resource-intensive industries)

Importance of "Eco-positioning"

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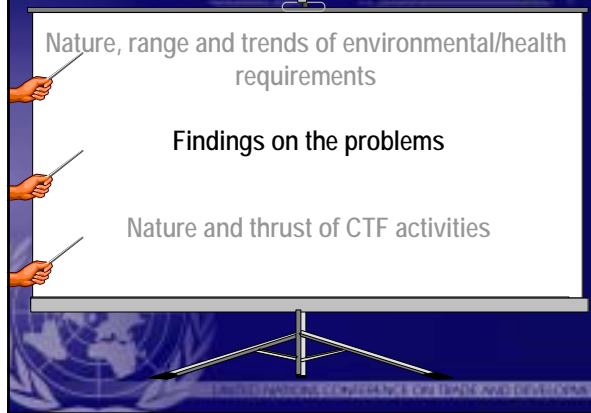
Eco-positioning in Horticulture

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- **Product Related**
 - Plant quarantine (produce from a certain country or region in a country are either allowed or banned for import)
 - Sanitary requirements for fresh produce: depend on both the product and country of origin
 - Tolerance/MRLs for pesticides (usually a positive list)
- **Process Related**
 - Protocols on best agricultural practice, such as EurepGAP (assures food safety, but goes beyond it to set specific food quality standards)
 - Supply-chain management strategies and traceability of info on input use, farming practices and logistical treatment
- **Eco positioning of an industrial sector involves a comparative strengthening in complying with eco standards of both processes and products in a competitive market environment**

Abstract

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Main Findings of UNCTAD's Activities

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Two key substantive achievements

Conceptualization of ERs and market access for DCs



Identification of the key problems at the interface of ERs and market access for DCs

Conceptualization of Market Access

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At WTO Level

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Policy Issues

WTO

Capacity Issues

- Are current disciplines on proportionality of a TBT measure sufficient?
- Effective use of existing WTO mechanisms to limit undesirable impact:
 - Notification discussions
 - Monitoring implementation
 - Using S&D provisions
 - Using DSB
- Review of good regulatory practice and transparency procedures (info on and participation in pre-regulation-setting consultations)

- Using WTO as a source of information and breathe full life into TBT/SPS inquiry points
- Active participation in pre-regulation-setting consultations

At International Level, Outside the WTO

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Policy Issues

Outside WTO

Capacity Issues

- Lack of international standards, harmonization / equivalence of national standards and mutual recognition of inspection and conformity assessment results
- Avoiding that voluntary standards become significant TBTs and market entry hurdles
- Obtaining permission to participate in pre-standard-setting consultations
- Subsidies for meeting ERs (WTO issue??)

- Info gathering and dissemination
- Reviews of trends in environmental/health requirements in international markets
- Active participation in pre-standards setting consultations

At National Level in Developing Countries

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Policy Issues

National level

Capacity Issues

- Maximizing benefits / minimizing costs of adjustment and managing the associated adjustment process
- Pay special attention to adjustment needs of SMEs
- Develop national or export standards that are close to requirements in export markets
- Use of (mandatory) national eco-labelling schemes
- Effective domestic coordination and co-operation, including with local governments, and with non-governmental parties

- Enhance response and supply capacity
- Make effort or assist on info gathering
- Improve technical infra-structure (e.g. testing and monitoring equipment)
- Provide opportunities for training and exchange of experience (between companies)
- Use of (voluntary) national eco-labelling schemes and EMS

Conclusions on Conceptualization

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- Only the policy issues at WTO level and some policy issues outside the WTO framework appear to fall under current international discussions on market access issues.
- A more holistic approach to market-access issues would however require an integrated analysis of policy and capacity-building issues at all three levels, thus including supply-capacity constraints.
- The complexity of intermingling policy and capacity-building measures requires a strategic and pro-active response by exporting DCs, rather than a piecemeal and only reactive approach. It also requires active collaboration by governments and business associations in developed countries and a more coherent and co-ordinated approach by donors.

What are the key problems?

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- Sufficient transparency and disciplines in the WTO context
- Supply-chain-driven nature of environmental/ health requirements
- Inadequate technical and institutional capacity to actively participate in pre-standard setting consultations and comply with requirements
- Maximizing the gains and minimizing the costs of adjustment measures in DCs (including enhancing competitiveness) requires a pro-active/strategic approach
- Lack of international standards and technical equivalence
- Piecemeal approach towards TC/CB

A key problem of the national adjustment process

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- ERs, notably pushed through global supply chains, tend to push aside SMEs
- "Supermarketization" in developing countries pushes aside SMEs as local suppliers for domestic sales
- **Key question: How to preserve market and policy space for SMEs without perpetuating their compliance problems?**



Abstract

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Nature, range and trends of environmental/health requirements

Findings on the problems

Nature and thrust of CTF activities

Objectives of CTF

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- The CTF is an open-ended multi-stakeholder forum of government, private sector and NGO representatives that assists developing countries in analyzing key trends of environmental requirements (ERs) in export markets and to exchange national experience on pro-active approaches to meeting these ERs with a view to maintaining market access, harnessing developmental gains and safeguarding social welfare, while developing adequate internal legislation to address environmental and environment-related health issues.
- CTF activities are not intended to “second-guess” the legitimacy and objectives of environmental requirements, nor to develop guidelines for good regulatory practice.
- CTF activities will analyze and discuss ways of overcoming specific DC challenges regarding the development and implementation of, as well as adjustment to ERs.

Thrust of Activities and Modalities of the CTF [1]

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- The CTF will provide a forum for well-structured and focused dialogue and networking on relevant issues at the interface of ERs and market access for DCs.
- The CTF will implement the following activities:
 - analysis,
 - policy dialogue, } **Think-tank function**
 - information exchange,
 - supportive activities.

Thrust of Activities and Modalities of the CTF [2]

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- Under its umbrella, the CTF may consider launching some specific, well-defined and time-limited project activities, whose results will aid the substantive debate in the CTF. Initially, this might include:
 - sector-specific experience in the preparation, adoption and implementation of regulations and standards and the related examination of possible trade implications for DCs;
 - the development of holistic, pro-active strategies in developing countries that effectively respond to ERs in key export markets;
 - improved access to and dissemination of information on ERs, including private-sector requirements.

Sessions of CTF

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- Inaugural session of CTF was held during the pre-UNCTAD XI Trade Week in Rio de Janeiro in early June (co-organized by Inmetro). The report of this meeting specifies the thrust, nature of activities and modalities of CTF.
- The first substantive session of CTF will be held on 5-6 November in Geneva (right after next TBT Committee session). The meeting will discuss the work programme for 2005 and the project activities to be launched under the umbrella of the CTF.

Useful On-line Reference

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Website on CTF Activities

www.unctad.org/trade_env/test1/projects/taskforce.htm