

Informing the Green Consumer

The Debate Over the Use and Abuse of Environmental Labels

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Summary

Third-party environmental labeling programs continue to develop around the world. They are being increasingly challenged at the policy level, however, by a well-organized industry opposition claiming that the labels do not identify environmentally superior goods and are subject to abuse as protectionist trade barriers. Ecolabels' effectiveness in the marketplace still has not been empirically proven, although industry interest remains high and in certain cases labels appear to have influenced product design. There is little empirical evidence labels have acted as trade barriers, and negotiations within the World Trade Organization are stalemated. The International Organization for Standardization is developing standards for ecolabeling programs that may influence their status under international trade law. The Forest Stewardship Council, a non-governmental umbrella group certifying sustainably harvested timber, remains the leader in this sector of resource labels. Intense industry interest in environmental labels likely arises out of fear that labels will be used as protectionist nontariff trade barriers and, more important, that label criteria will be adopted as the basis for government public procurement programs.

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One of the publishing world's great surprises in the late 1980s was the success of a British paperback innocuously entitled, *The Green Consumer's Guide* (Elkington and Hailes 1988). This book topped the best-seller's list for nine months and was subsequently translated into ten foreign editions and sold in 17 countries (Salzman 1991, 12). In the United States books suggesting 10, 100, and even 500 things you could do to save the planet sold briskly, as well. The impetus behind these sales was the unease and activism of citizens who have since been collectively identified as "green consumers." Since the late 1980s people from all walks of life, worried over the state of the environment, have sought to promote environmental protection through everyday activities such as recycling newspapers and plastic, planting trees, and, of importance to this article, favoring "green" products in their purchases.

Polls taken among the Organization for Economic Cooperation and Development (OECD) nations have consistently demonstrated that consumers believe they will pay more for environmentally superior products.¹ And manufacturers have been closely tracking this shift in purchasing preference. Indeed, between 1985 and 1990 the introduction of products with "green" claims increased nineteenfold (Salzman 1991, 12, 15). Although the wave of green product introductions has subsided from its flood crest just a few years ago, consumers remain concerned over the environmental impacts of their purchases, as do producers over the environmental qualities of their products.² The problem for consumers is how to make their purchases matter, that is, how to identify the true green from the mock green products. Adrift in a sea of "recyclable," "recycled," "ozone-friendly" and "biodegradable" claims, where can the green consumer find a safe harbor to assess reliably the overall environmental quality of products? Books such as the *Green Consumer's Guide* provide one anchor, but since 1990 environmental labels have become increasingly important.

There are three basic types of ecolabels. Single-issue voluntary labels such as "recyclable" and "CFC [chlorofluorocarbon]-free" are the largest class of ecolabels. Placed on products by their manufacturers, these labels face few legal

restraints so long as the claims are factually verifiable and accurate. Single-issue mandatory labels such as "flammable" and "ecotoxic" are a much smaller class and are required by law by many national and subnational governments. Third-party voluntary labels represent holistic judgments of the overall environmental quality of the product. These labels denote an environmental seal of approval, identifying products as environmentally superior to their competition. Key to this identification of superior products is the use of life-cycle methodologies, which assess the product's impacts throughout its life. In this regard, seals of approval are similar to other life-cycle-based environmental management tools.

Current policy debates focus on third-party environmental labels. These include resource-based labels that identify, for instance, whether tuna were caught with "dolphin-friendly" nets or whether timber was taken from "sustainably harvested" forests, report card labels that simply quantify a product's environmental impact (analogous to nutrition content labels on food), and ecolabels that assess the overall environmental worthiness of consumer products.³

The goals of environmental labels are simple: provide consumers with accurate information regarding the environmental qualities of products and, by doing so, introduce a competitive dynamic in the marketplace. Because not all products will place the same burden on the environment, identifying environmentally less harmful products through a label furnishes consumers an additional basis for choice beyond price, performance, and other attributes. If environmental qualities truly are important to consumers, then it is hoped that the label will strengthen the competitive position of the products, increase their sales, and put pressure on competing products to improve their environmental performance so they too can qualify for the label. As with most simple ideas, however, putting environmental labeling into practice has proven challenging.

Ecolabels

Ranging from the Blue Angel in Germany and the Nordic Swan in Scandinavia to the Eco-mark in Japan and the Green Seal in America,

both government-sponsored and private ecolabeling programs now truly circle the globe. Indeed, ecolabeling programs can now be found in over 25 countries.⁴ In all these programs, a committee determines the category of products covered (e.g., copying paper) and objective criteria that products must meet to obtain the label (e.g., 100% recycled content, chlorine-free, etc.).⁵ Producers voluntarily submit products for consideration and, if satisfying the criteria, pay a licensing fee to place the label on the qualifying products.

When the OECD's analysis of ecolabeling programs was published in 1991, it reflected the general optimism over the potential impact of ecolabels (Salzman 1991). At the time, ecolabels were viewed by governments and environmental groups alike as a powerful, high-profile, low-cost, market-based instrument to promote environmental protection. Because they were voluntary, they acted as "soft" policy instruments, complementing the more traditional command-and-control mandates.

Over the last five years, however, while the number of national ecolabels has increased, the initial enthusiasm has waned. Indeed, in Western Europe and the United States the debate has significantly altered from speculation over how far ecolabels will "green" the market to the very legitimacy of ecolabels as environmental policy instruments. A number of developments has caused this shift from optimism to survival, including the problems plaguing the European Union's (EU's) ecolabeling initiative, the poor market performance of green products, and a concerted attack by industry. These developments will be discussed in the context of the three issues currently generating debate over ecolabels: their effectiveness, potential violations of trade law, and conformity with international standards.

Effectiveness

The most basic question of ecolabeling programs—do they work?—still has not been answered empirically. The 1991 OECD study and those that followed have provided qualified answers. In some product categories, in certain countries, sales of ecolabeled products have in-

creased.⁶ Overall, however, the impact of ecolabels on market sales remains uncertain. One reason for this uncertainty is methodological. Traditional marketing tools such as advertising, packaging, and promotions are never held constant; as a result, ecolabels' impacts cannot be assessed in isolation. This lack of a control (in statistical terms) reduces evaluation of an ecolabel's impact to an exercise in extrapolation.

Defining ecolabels' success solely by changes in product sales, however, largely misses the point. Even if sales of ecolabeled products do not increase, the labels can prove effective through their influence on design. Put another way, industry's concern throughout the 1990s has been more over the *potential* of ecolabels to influence consumer purchases than their actual impacts. Whether or not ecolabels have proven effective to date is interesting but largely irrelevant because *tomorrow's* ecolabel may provide a significant competitive edge that no business wants to miss. Thus competition between companies for ecolabels can remain intense even if consumer response will likely be small and, indeed, even if the companies choose not to apply for the label. This may seem counterintuitive, but the author observed such competition on more than one occasion while working in the consumer products industry.⁷ In short, ecolabels can influence product design because no one wants to be placed at a competitive disadvantage, even if the likelihood of lost sales is small.

Industry groups routinely threaten that their members will neither participate in the drafting nor apply for ecolabels in their sector. This threat has been hollow in the past; once the labels were published, individual companies inevitably would break ranks and apply for the label, hoping to seize a competitive edge. This occurred in Germany when the Blue Angel ecolabel for recycled paper products was adopted more than 15 years ago. German paper manufacturers' initial uniform refusal to apply for the label evaporated when the U.S. company, Scott Paper, applied for and received the label. More recently, since the launch of the Green Seal ecolabel for household cleaning products in 1992 and 1993, the environmental profile of products throughout the sector has improved, including products that did not apply for the la-

bel. Green Seal has been told informally that its ecolabel was a factor influencing this improvement in reformulation (Weissman 1996).

The EU ecolabel experience has been different, however. For four years into the program very few companies have applied for an ecolabel. The success of industry opposition has likely been a result of the public's ignorance of the EU ecolabel. Unlike the situation with the Blue Angel in Germany, there is no competitive benefit for individual companies to break ranks from the trade associations' boycott. This may change if the EU member countries publicize the ecolabel and increase its recognition in the marketplace.

The ecolabel's most significant impact to date has occurred in Sweden where ICA, the nation's leading supermarket chain, has required its laundry detergent and home cleaning product suppliers to qualify for an ecolabel or face delisting (i.e., loss of shelf space). ICA has demanded that producers qualify for relevant ecolabels issued either by the government-sponsored Nordic Swan program or by the Swedish Society for the Conservation of Nature's "Good Environmental Choice" program. In the face of this ultimatum, major companies including Procter and Gamble, Unilever, and Johnson Wax have reformulated their products. ICA has justified its requirements as responsible action on behalf of customer demands for more environmentally responsible products. The consumer product companies have similarly denounced this action both as limiting consumer choice (since they contend the reformulated products provide inferior performance) and as providing dubious environmental benefits. The net effect for the companies has been an increase in costs, because the economies of scale from producing a uniform European formula are lost (Shimp 1996). Nonetheless, the companies have acceded to ICA's demands and have reformulated the products in compliance with the ecolabel criteria.

Beyond the ecolabel's impact in the marketplace, its effectiveness as a policy instrument has come under recent attack by a well-funded American industry alliance known as the "Coalition for Truth in Environmental Marketing Information, Inc." (hereafter the Coalition). The trade associations that make up the Coalition represent collec-

tively 2,900 companies that sell over \$900 billion annually of consumer goods. In its brochures, public presentations, and lobbying of the federal government, the Coalition argues that ecolabels are misleading, prevent consumers from making informed choices, do not improve the environment, and restrict international trade. Their basic arguments are much the same as other critiques against ecolabels over the last few years. In particular, the Coalition charges that:

- It is impossible to establish objective, scientifically defensible criteria that identify "environmentally superior" products in a category;⁶
- Ecolabels are an inherent barrier to product innovation for both the environment and other consumer values because criteria can only be based on today's understanding of products, technologies, and environmental issues;
- Ecolabels train consumers to look only for symbols and fail to inform consumers about the specific environmental aspects of the products they purchase;
- Ecolabels create barriers by focusing on local or regional environmental priorities that may lack international relevance. (Coalition 1996, 2)

In place of ecolabels the Coalition favors the current practice of the U.S. Federal Trade Commission, that is, issuing guidelines on the use of fact-based environmental claims (Coalition 1996, 2). The problem with this approach is its potentially misleading application. As an example, a detergent manufacturer might provide a positive environmental message with information that its detergent is 95% biodegradable after seven days or that its packaging contains 75% recycled material. No information will be available, however, on other environmental issues concerning phosphate or optical brighteners. Ecolabels, despite their drawbacks, attempt to take these factors into account.

Addressing the criticisms of the Coalition is beyond the scope of the article, but it should be noted that arguments from American industry against the wisdom or effectiveness of other nations' ecolabeling programs are strategically difficult. At best, the Coalition might convince the

U.S. federal government that ecolabels are bad policy; nevertheless the programs remain popular in their respective countries and are based on national statutes. Clearly, Germany, the Scandinavian countries, and the EU will not simply scrap their programs because the United States thinks there is a better alternative. Thus the Coalition has focused its efforts on convincing the U.S. government to challenge ecolabels before the World Trade Organization (WTO) and to introduce trade rules (known as "disciplines") on ecolabels. (The WTO was established by the most recent round of international trade negotiations, known as the Uruguay Round, and serves as the umbrella organization for major international trade treaties such as the General Agreement on Tariffs and Trade (GATT).) U.S. environmental groups have countered the Coalition's activities with a large letter-writing campaign to Congress and publication of reports favoring ecolabels (NWF 1996).

Trade Law

As a result of the refusal of ecolabeling countries to change their programs, the Coalition's strongest criticism of ecolabels has centered on their potential misuse as protectionist nontariff barriers to trade. This widespread concern over the trade impact of ecolabels is entirely new, however. When the OECD study was carried out in 1991, the only countries raising trade concerns were Australia and New Zealand. It was the launch of the EU's program in 1992 that brought the trade issue to the fore. This is ironic because, by any objective measure, the EU ecolabel initiative has been a failure with few categories approved over the last four years and even fewer labels issued.⁹

Trade criticisms of ecolabels have come from both developed and developing countries. At the urging of the United Nations Conference on Trade and Development (UNCTAD), developing countries have held up ecolabels as a test case for the larger threat they believe domestic environmental measures pose as hidden protectionist barriers. UNCTAD has published a number of studies identifying hypothetical situations where ecolabels could be used as nontariff protectionist barriers, and three general points of

concern have emerged (Jha and Simonetta 1994). The first is the lack of meaningful participation by foreign parties in establishing product categories and criteria. By the time draft criteria are available for public review, some charge that most of the important decisions have already been taken behind closed doors. Among the critics are the Brazilians and U.S. paper manufacturers. Second, some ecolabel criteria, such as timber harvesting for paper, are based on process and production methods (PPMs). Made famous by the Tuna-Dolphin cases, PPMs have emerged as a heated point of conflict in international trade debates and are inherent in many ecolabels.

Indeed, the concern over PPMs goes to the heart of ecolabeling programs' reliance on life-cycle methodologies. As an example, a program may choose to award an ecolabel to paper with very low wastewater effluent during its production. In all other respects, paper with and without a label may be identical. The environmental reasons for favoring "clean" paper with an ecolabel are obvious: encourage other companies to reduce their wastewater effluent so they too can qualify for the label. In fact, about 15% of the Canadian ecolabeling program's product criteria incorporate PPMs, mostly for paper (Polak 1996). The use of child labor, catching tuna with a high rate of dolphin mortality, and the use of prison labor are all PPMs and, in the context of international trade, extremely contentious. If international trade rules forbid ecolabels from including PPMs, then ecolabeling programs will be unable to rely on life-cycle analysis as a meaningful tool because the production stage will be excluded.

The third and most fundamental objection of all, however, concerns whose environment should be protected. Ecolabels have been developed and adopted by governments as soft domestic environmental policy instruments, reinforcing "harder" instruments such as regulations and taxes. As a result, both criteria and product categories typically address local (i.e., regional or national) concerns and issues. Foreign companies have objected to this approach, contending that imported products that arguably are environmentally superior could be denied a label because of the labeling country's specific parochial concerns.

The Coalition has echoed these three concerns as well, charging that ecolabels pose barriers to free trade because "their criteria are generally protectionist in nature" (Coalition 1996, 2). The EU program's ecolabel for paper illustrates these problems well. During the initial definition of the product category scope and the drafting of criteria, non-EU governments and industry had no opportunity for direct participation. While foreign parties were invited to submit comments on the draft criteria, the American Forest and Paper Association decried the proposals as "pernicious," charging that the effluent limits for organic halogens and chemical oxygen demand "appear to make it impossible for the majority of integrated U.S. mills to qualify for the European paper label" (Pulp and Paper 1996).¹⁰ The ecolabel has since been approved to the cries of protectionism and the threat of trade associations that their members will not apply for the label.¹¹ Meanwhile, the supermarket chain, Co-op, has already applied for the label for its own-brand goods.

At the WTO, ecolabeling is one of the major subjects under consideration by the Committee on Trade and Environment. The Committee on Trade and Environment was established to examine and resolve potential conflicts between international trade law and environmental protection measures. The international trade law status of ecolabels and their programs are currently unclear. Because ecolabels are voluntary, they would presumably have less discriminatory impact than more traditional nontariff barriers such as bans or mandatory specifications. As the GATT is a contract among governments, private ecolabeling programs are not subject to its provisions. The applicable WTO treaty would appear to be the Technical Barriers to Trade Agreement (TBT), one of the recently approved Uruguay Round agreements. The TBT's main provisions cover "technical regulations," defined as mandatory specifications of product characteristics or PPMs.

Annex 3 of the TBT, the Code of Good Practice, covers "standards," that is, specifications that are voluntary. The Code of Good Practice requires standardization bodies to treat products from WTO member parties equally, ensure that standards are not prepared, adopted, or applied

with the intention or effect of creating unnecessary obstacles to trade, allow 60 days for comments on draft standards, and adopt international standards. To date no WTO or GATT challenges have been made against ecolabels. Within the WTO's Committee on Trade and Environment, however, there is intense disagreement over how, and if, the TBT covers ecolabels. In simple terms, those countries in favor of ecolabeling programs generally argue that the Code of Good Practice applies and permits the use of PPMs in criteria. Those opposed to ecolabels typically argue either that the GATT applies or that the main provisions of the TBT apply, and that both are hostile to PPMs (BNA 1996e). It is likely, though, that current ecolabeling programs would satisfy the requirements of the Code of Good Practice.

To clarify the status of ecolabels under international trade law, U.S. trade associations (including the Coalition) engaged in a high-profile lobbying campaign for the U.S. Trade Representative to challenge the EU ecolabel for paper products and to propose ecolabeling disciplines at the December 1996 WTO Ministerial in Singapore (BNA 1996f). Whether ecolabeling programs currently would comply with disciplines such as "sound scientific basis" or "nondiscrimination" is an open question, but environmental groups such as the National Wildlife Federation and the Sierra Club have strongly opposed proposing ecolabel disciplines as both unnecessary and as placing the programs' survival in the hands of WTO dispute panels, which are administrative courts that have no environmental expertise and an avowedly pro-trade focus. Partly because of a lack of time before the Ministerial, the Coalition's efforts were unsuccessful. The primary ecolabeling proposal before the Committee on Trade and Environment concerned "transparency" and would require meaningful participation of foreign parties in category and criteria drafting. This proposal was not adopted, however, and the committee's final Report to Ministers simply restated conflicting arguments raised by countries concerning TBT coverage, the validity of PPMs, and their potential use as nontariff barriers to trade (CTE 1996).

International Standards

The other important international activity concerning ecolabels is the drafting of International Organization for Standardization (ISO) voluntary standards. Since 1991, the 110-country ISO has been developing a series of environmental management standards. Called the ISO 14000 series, the standards address environmental management system certification, environmental auditing, life-cycle analysis, and ecolabeling. It is possible over the next few years they will become as widespread as the ISO 9000 series on quality, now practically a prerequisite for suppliers selling in Europe. The ecolabeling standards are 14020, general principles for environmental labels and declarations; 14021, 14022, and 14023, principles for self-declared environmental claims; and 14024, third-party ecolabels (ISO 1996). ISO 14020 has just been adopted and will have little effect on ecolabeling programs. The language for 14024 is still under negotiation and, as currently drafted, is strongly opposed by current ecolabeling programs.

Addressing stakeholder participation, the draft ISO 14024 standard requires that "at each significant step in the development [of ecolabels], the consultation process should arrive at consensus. . . . [C]onsensus need not imply unanimity but the procedures must be decided at the onset of the consultation process" (ISO 1996). Currently, no ecolabeling program provides for consensus, or even a vote, at every step of the process; to do so would not only be costly and time consuming, but a consensus (or even a supermajority) requirement could give an effective veto to industry opposition. Most programs rely on a 12–15 member multi-stakeholder jury to approve categories and criteria. Supporters of the ecolabeling programs fear the draft criteria could effectively take decisions out of the jury's hands.

If the draft standard is approved, it is likely that ecolabeling programs will refuse to adopt the standard. This will not render it useless, however, because the TBT's Code of Good Practice requires that standardizing bodies (in this case the ecolabeling programs establishing criteria) rely on relevant international standards as a basis for development of criteria. This require-

ment may be waived "where such international standards or relevant parts would be ineffective or inappropriate, for instance, because of an insufficient level of protection or fundamental climatic or geographical factors or fundamental technological problems" (TBT 1993). In other words, the ISO 14024 standard could provide a basis for challenging ecolabeling programs before the WTO. Whether programs could justify their noncompliance with ISO standards on the basis of the exceptions listed above is unclear. In any case, it places them on the defensive before a WTO dispute panel. The ISO 14024 standard remains under negotiation and the current consensus language may change. The latest draft received over 200 written comments.

Resource-Based Labels

As observers of international environmental law know well, the U.S. ban on Mexican tuna created an open conflict between international trade law and domestic environmental law. While the bulk of commentary has addressed the implications of the two GATT dispute panels on the issue of PPMs and unilateral trade sanctions (although neither of the decisions were adopted by the GATT parties), environmental labels have also played a significant role. The issue has centered on the high incidental dolphin mortality from the tuna fishery in the Eastern Tropical Pacific (ETP). In the late 1980s, recognizing a marketing opportunity and faced with threatened consumer boycotts on tuna, major U.S. canners voluntarily started labeling their cans. Starkist was the first to announce that it would no longer purchase any tuna caught in association with dolphins and that it would begin labeling cans of tuna with "dolphin-safe" symbols, bearing the message "no harm to dolphins." Other major U.S. canners quickly followed suit. Congress responded as well, passing the Dolphin Protection Consumer Information Act of 1990 (DPCIA), which established a labeling requirement (Esty 1994, 268–269). The effect of this restriction has been to close the U.S. market to Latin American tuna imports.

The DPCIA required that all tuna caught in the ETP and labeled dolphin-safe must be veri-

fied as not having been caught by intentionally deploying purse seine nets around dolphin. Absent this certification, tuna imported into the United States could not be marketed as dolphin-safe on U.S. supermarket shelves. In its Tuna-Dolphin decision, a GATT dispute panel held that the labeling provisions were consistent with GATT because they were applied evenhandedly and did not have discriminatory effect (GATT 1991). Indeed, director general of the GATT, Arthur Dunkel, praised ecolabels at the time as a means to avoid trade/environment conflicts (Esty 1994, 134).

In 1995, recognizing that dolphin mortality had been reduced by 95% in the tuna fishery, following a series of negotiations and an informal agreement with Latin American countries, the U.S. Congress proposed legislation to repeal the tuna ban and change the labeling provisions. In their place, the new law would permit the label, "dolphin-safe," so long as no dolphins were observed to have died while catching tuna. In effect, this change would permit the use of dolphin-safe labels on tuna caught by encirclement with purse seine nets, a practice that the DPCIA forbade. Despite strong support and passage in the House of Representatives, the bill died in the Senate without a floor vote as the session expired. Mexico has not ruled out a new challenge before the WTO on both the tuna ban and the labeling provisions. To head this off, the Clinton administration has promised to reintroduce the legislation before the new Congress.

The other resource-based label generating attention concerns sustainably harvested wood. In 1992 Austria passed a law requiring labels on all tropical timber and tropical timber products stating, "made of tropical timber." The law also created a voluntary label identifying "sustainably harvested" timber. Fearful that their timber products would not qualify for the "sustainably harvested" label and that they would suffer lost sales as a result, Malaysia and Indonesia (followed by the Association of Southeast Asian Nations [ASEAN]) denounced the plan as protectionist, threatened to challenge Austria before the GATT, and announced a boycott of all Austrian goods and companies. The law was denounced as protectionist because only tropical timber was subject to the labeling requirement while temper-

ate forest timber and products were not covered at all. In the face of this onslaught, the Austrian parliament rescinded the law within a year (Sucharipa-Behrmann 1994, 55).

Since this debacle, resource labels for forestry products have focused more on practical definitions of sustainable forestry and relied on a model of "certifying the certifiers." The Forest Stewardship Council (FSC), based in Oaxaca, Mexico, has developed principles for certification and accredits organizations throughout the world that identify and label wood products from sustainably harvested forests. The council has approved ten Principles of Forest Management, including respect for international environmental agreements, indigenous people's rights, conservation of the forest's biological integrity, and management plans.¹² Once accredited, a producer pays a fee and may label its products with the council's or accreditor's mark. The advantage of the council's approach is its umbrella role, allowing local accreditation organizations to assess issues specific to, for example, boreal, tropical, or temperate forests. A similar initiative, "Smart Wood," was founded by the Rainforest Alliance in 1989 and has certified over 7 million acres of environmentally sensitive forest operations in Southeast Asia, Latin America, and the United States. Over 30 companies use the Smart Wood label, including both timber producers and product manufacturers.¹³ A similar initiative, called the Marine Stewardship Council, is an alliance between the World Wildlife Fund (WWF) and Unilever, a large international consumer and food products company. One of the world's largest buyers of frozen fish, Unilever will work with WWF to adapt the Forest Stewardship Council model to fishing standards and fish products (Cessford 1996, 3).

The last type of environmental label, the report card label, has had little acceptance in the marketplace. Similar in concept to nutrition labeling on food packaging, the limited use of report card labels by manufacturers is most likely a result of their limited marketing appeal. The labels provide a measure of environmental impact on air, water, solid waste, and energy using a bar graph to compare the labeled product's impact with the impact of standard products in the same category. This graphic is more informative than ecolabels but likely less accessible to the average consumer. The best-known report card label is issued by Scientific Certification Systems, located in the San Francisco Bay area.

Future Trends

Ecolabels present a puzzling contradiction. Their influence in the marketplace is modest by any measure, and almost negligible by many; yet they are the subject of intense industry lobbying and government negotiation at the international level. Why are so many powerful constituencies so upset over a policy instrument with so little impact? Put simply, why all the fuss?

The answer appears to be twofold. First is the fear of protectionism. In their lobbying, multinational corporations and developing countries have become strange bedfellows. The developing countries are much more concerned with resource-based labels, industry more concerned over ecolabels. Yet both fear that third-party environmental labels will be regarded as a legitimate means for countries to favor domestic producers at the expense of imports, whether from the United States or Malaysia. From this perspective, it makes sense to attack ecolabels while they are weak, indeed because they are weak. If the programs, including the use of PPMs, remain unchallenged, their actions may acquire a legitimacy of their own.

The second factor is concern over procurement and institutional purchasing. Although green consumers are an important market force, the largest single consumer in any country is generally the government. The U.S. government, for example, accounts for 20% of gross domestic product (OTA 1992, 96). In Europe, local and regional authorities are explicitly promoting ecolabeled products in their procurement guidelines.¹⁴ President Bill Clinton's Executive Order 12873 requires U.S. federal agencies to implement Environmental Protection Agency (EPA) guidelines on the purchase of environmentally preferable products (President 1993). The EPA is still developing guidelines, and although it will likely not require the Green Seal ecolabel as a prerequisite, it could incorporate many of Green Seal's criteria, thus effectively requiring an ecolabel (EPA 1996). Both Green Seal and Canada's ecolabeling program, Environmental Choice, have launched institutional purchasing initiatives that provide specific recommendations and guidelines for environmentally responsible corporate purchasing. This overall trend repre-

sents an important shift in the identity of the targeted green consumer. Hence ecolabels and their criteria are becoming significant not only to consumers but to "Consumers, Inc." as well.

A number of other developments are under way that will change the nature of the debate. Resource-based labels are on the rise, including one in Sweden for electricity generated from renewable resources and one in New Zealand for food products (BNA 1996h, BNA 1996i).¹⁵ The Global Ecolabeling Network, an association of ecolabeling programs, is developing its own standards which may challenge or supplant ISO 14024. The Canadian ecolabeling program is exploring mutual recognition opportunities with the Taiwanese program. So perhaps with a view to the future and the evolution of ecolabels, the Dutch government has requested that domestic industry provide comprehensive information on the environmental profiles of its products. The information will be held on file by the government and will be open to the public. The program is voluntary; but if industry is not cooperative, the government intends to introduce mandatory requirements in 1998 (*Business and the Environment* 1994).¹⁶ In practice, these product declarations would provide similar information to report card labels but would be present on all product packages.

Since international attention first focused on environmental labels in the late 1980s, these labels have remained high on the agenda of governments, industry, and consumer and environmental groups. At a basic level, all those involved in the issue share the same objectives: provide more accurate information to consumers regarding the environmental impact of products and encourage market opportunities for environmentally superior products. This consensus has dissolved in the face of disagreement concerning how the information should be communicated, whether this communication really encourages market opportunities, and whether the communication creates illegitimate barriers to trade. The number of initiatives currently in effect, however, ranging from institutional initiatives such as President Clinton's executive order on green procurement and the Dutch government's product declarations to resource certification by the Forest Stewardship Council and the Marine

Stewardship Council, are evidence that environmental labels are becoming a marketplace fact and that reports of the expulsion of environmental labels from the curriculum of the green consumer have been exaggerated.

Notes

1. The OECD members include all the first-world industrialized economies. Whether those polled actually *do* pay more for "green" products, or buy them even with no price increase, is a different issue altogether.
2. The launch of green products has slowed to a trickle. Their failure in the marketplace has been the result of poor performance, consumers' disillusion with specious environmental claims, and most important, the improvement of mainstream products in their environmental profiles and marketing (Clover 1996).
3. This article uses the term "resource-based" label to refer to third-party certification of a single process or production method requirement and "ecolabel" to mean third-party certification of the general environmental quality of a product.
4. This number includes member countries of the European Union (EU) and the Nordic Council as well as the United States, Canada, Thailand, South Korea, India, and New Zealand to name a few.
5. As an example, the Canadian ecolabel criteria for reusable diapers require that the diapers be made of cloth, be home washable, and be able to endure a minimum of 75 uses.
6. Since the German ecolabel was granted for recycled paper, the average recycled content has increased from 50% to 100%. The German government attributed a reduction of 40,000 tons of solvent in the waste stream to the ecolabel for low-solvent paints and varnishes. The government has also claimed that its ecolabel for oil and gas heaters provided the impetus for 60% of the products on the market to qualify for the label within two years of its issuance (Salzman 1991, 30). The EU claims that sales of Hoover vacuum cleaners have greatly increased since they began carrying the EU ecolabel (BNA 1996a).
7. From 1990 to 1992, the author directed the OECD program on the green consumer and wrote the first book on environmental labeling programs. From 1992 to 1995 he served as European environmental manager at Johnson Wax.
8. The Coalition argues that no scientific methodology can integrate the trade-offs from different environmental impacts within a product category, much less in different regions. For example, the Coalition contends there is no scientific basis to determine that a product with high energy use but low water pollution in Spain should be granted an ecolabel but that a product with lower energy use and more water pollution in Germany should not.
9. The EU's ecolabeling program has been under periodic revision since its creation in 1992. The program has approved ecolabels in ten product categories, including copying paper, kitchen towels, and washing machines; but prior to 1996 only two labels had been issued to companies. In the United Kingdom, a small number of manufacturers have now applied for labels in four of the categories (BNA 1996b). Ritt Bjerregaard, the EU's environment commissioner, has been reported as describing the program to be "an unmitigated failure" (BNA 1996c).
The only economically significant ecolabels have been issued at the national level, e.g., Germany, Sweden, and Norway. Yet the Coalition and other industry groups have attacked almost exclusively the EU program. This focus has likely arisen both from the potential reach of the EU label and the more mundane reason that Brussels is where most international trade associations are based. The U.S. government's response to industry criticism has been to engage in bilateral negotiations with the EU to increase the openness of the ecolabeling program's decision-making process and to provide for meaningful participation by foreign parties (BNA 1996d).
10. The American Forest and Paper Association has also called the ecolabeling program "an elitist scheme." It should be noted that the EU did revise its earlier draft criteria in response to comments from Brazil concerning pulp from sustainably managed plantations.
11. The EU has responded that very few European papermakers qualify for the label, either. Bjerregaard charged that "some business circles in the United States and in Europe dislike the modest constraint placed on their marketing and the necessity of subjecting their claims to independent verification" (*Newsweek* 1996).
12. For further information, the council's internet home page may be accessed at <http://antequera.antequera.com/FSC>. The council claims that 160 companies have agreed to sell only products certified by the FSC. A timber trade organization has accused the council of forming a "cartel in order to create a monopoly" (BNA 1996g).

13. For further information, the Rainforest Alliance internet home page may be accessed at <http://www.rainforest-alliance.org/>.
14. The British Association of Metropolitan Authorities has drafted procurement guidelines for its members to encourage their purchase of goods with the EU ecolabel. Britain's local authorities procure over \$100 billion worth of goods annually (BNA 1996b). Germany, as well, incorporates the Blue Angel criteria into some of its federal and regional procurement standards.
15. The ecolabel is issued by the Swedish Society for the Conservation of Nature and has been awarded to six companies while generating a great deal of controversy.
16. The initial product groups include household cleaners, paints, consumer electronics, and insulation materials.

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