



Green Markets **Often a Lost Opportunity for Developing Countries**

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Green Markets: Often a Lost Opportunity for Developing Countries

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As an independent non-profit and non-governmental organisation, ICTSD engages a broad range of actors in ongoing dialogue about trade and sustainable development. With a wide network of governmental, non-governmental and inter-governmental partners, ICTSD plays a unique systemic role as a provider of original, non-partisan reporting and facilitation services at the intersection of international trade and sustainable development.

ICTSD facilitates interaction between policy-makers and those outside the system to help trade policy become more supportive of sustainable development. By helping parties increase capacity and become better informed about each other, ICTSD builds bridges between groups with seemingly disparate agendas. It seeks to enable these actors to discover the many places where their interests and priorities coincide, for ultimately sustainable development is their common objective.

Centre for Environmental Investigation and Planning (CIPMA)

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In 1979, a group of university professors met and formed an academic non-profit corporation that would allow them to take their environmental views and proposals to a pragmatic level. Thus, the Centre for Environmental Investigation and Planning (CIPMA) was born, and has since been dedicated to fostering throughout the country its approach to environmental issues which integrates this dimension with economic development, as well as promoting solutions that would lead to the above-mentioned integration by means of collaboration between the diverse sectors of society. CIPMA has been accredited as an Independent Academic Centre by the National Commission for Science and Technology Research (Conicyt). Its funding is provided by national and international research agencies and tendered funds as well as by private and public companies

Premises

CIPMA's work is based on the following founding premises: It is possible to achieve economic growth without sacrificing environmental conservation or efforts aimed at achieving social equity. Economic growth, social justice, and conservation do not converge spontaneously, but rather through the use of policies, laws and regulations that integrate the three components of sustainable development. The elaboration of effective environmental policies, laws and regulations requires an active citizen participation and public-private cooperation from the designing stage to the evaluation of results. Environmental problems are every citizen's responsibility, through their consumer habits and daily behaviour; industry's responsibility through their environmental management; and government's, through environmental and sectoral policy.

Objectives

Promote and contribute to a national dialogue on the formulation of environmental policies conducive to the integration of the country's economic, social and cultural development. Elaborate research that provides technical support to dialogue and fosters improvement and renovation of the political instruments for sustainable development. Facilitate collaboration among the diverse social actors in the search for environmental solutions based on consensus, including environmental conflict prevention and resolution.

Executive Summary

Introduction

Sustainable trade, or fair trade, dates back to the 1970s. During the past decade there has been a notable increase in trade governed by strict environmental and ethical criteria. Currently, there are thousands of organizations, producers, commercial firms and marketing companies who are offering an alternative approach, grouped together in associations such as Fair Trade, Ecological Trade or Ethical Trade. On a global scale, fair trade sales in the year 2000, reached approximately US\$400 million, a figure which is equivalent to 0.01 per cent of worldwide trade.¹ Traidcraft plc., an important fair trade organization in Great Britain, has an annual turnover close to US\$16 million. The fair trade sector has increased by 10 per cent annually since the 1970s.²

With regard to Sustainable Forest Management (SFM) the two most important international certification schemes are the Forest Stewardship Council (FSC) and the Pan European Forest Certification scheme (PEFC), which certified 25 million and 37 million hectares, respectively, in the year 2001.³ In 1999, 15 per cent of companies in the United Kingdom's forestry market only stocked forestry goods that were FSC certified. Similar figures exist for the numerous markets of forestry sub-products. The consumption of forestry products in Europe, that are certified with some sort of environmental quality certification, increased from 0.2 per cent in 1998 to eight per cent in 2000.

The global market for organic agriculture products was estimated to be around US\$ 20 billion in the year 2000. Growth rates vary between five per cent and 40 per cent, depending on the country and the product. The percentage that organic products represent within the general agricultural products market vary, in the case of Europe and the United States, one per cent and five per cent with estimates of between eight per cent and 12 per cent for the year 2005.⁴ The fact that the main producing countries are not developing nations but industrialized countries calls the attention, given the supposed comparative advantage that the developing world has for organic production—the limited use of chemical inputs, and in many countries a privileged sanitary and phyto-sanitary situation. Within this context, it is interesting to point out that organic production does not exceed 0.5 per cent⁵ of total agricultural trade in any developing country, in comparison with the figures for industrialized countries, which are between one per cent and eight per cent.

In Chile, numerous initiatives have been implemented with regard to the production and exportation of sustainable products. The certification of organic products began some years ago when the Ministry for Agriculture began to design a national label. Also in 2001, Chile made a request to the European Union to be included on the “Third Countries List” of organic producers. This would give Chile a status equivalent to that of European Union countries and would allow the country to enter the European market without additional certification requirements. Another specific initiative was the introduction of two certification schemes for Sustainable Forest Management in Chile. These are: the International Forest Stewardship Council (FSC) and

¹ See www.fairtradefederation.com

² See IIED, Sustainable Markets Group, 1999

³ See www.fscoax.org and www.pefc.de

⁴ See ITC 1999; and Willer, H. and Youssefi, M., 2001

⁵ With the exception of Argentina where this figure is 1.7 per cent.

CERTFOR, a national forest management scheme. The first of these schemes was introduced several years ago and to date has certified five companies, whilst the latter scheme has only recently been launched into the market and is currently in the process of obtaining the international recognition necessary for its exports. In addition to these sectoral initiatives, there have been some initial attempts to address the challenge of sustainable production and exportation of sustainable products in a more integral way. The Aysén region, for example, intends to embark on a sustainable production program.

Parallel to the implementation of these initiatives to encourage the production and exportation of sustainable products, it is important to analyse the institutional framework and the possible weaknesses at a domestic level, as well as the existence of export market barriers that must be dealt with, if production is to be increased. It is important to identify and confront these weaknesses and barriers in order to create a solid base upon which individual initiatives can be developed.

In the framework of this project, two case studies of sustainable products which are potentially important to the Chilean export market in the European Union were analyzed. These were organic agriculture and sustainable forestry products.

Two hypotheses were analyzed:

1. The existence of “green havens” in importing countries (the fact that green markets exist, but they are reserved for producers in the same country); and
2. A lack of capacity to develop new green markets in the exporting country.

The first of these hypotheses analyzes aspects such as transparency, information, certification costs, subsidies and marketing. The basic question behind this hypothesis is whether there are barriers or some form of discrimination against Chilean exports. Problems might exist in the form of complex marketing systems or in the lack of market information, to be confronted by the exporters themselves, possibly with the help of the government or the importing country. However, there might also be complex or discriminative certification systems or permanent subsidy systems that may constitute trade barriers and, as such, fall under WTO rules.

The second hypothesis is basically aimed at analyzing domestic topics such as the lack of technical capacities, regulatory systems and insufficient policies or an inadequate institutional framework.

Critical aspects in green market exports

Protectionism in the EU?

On a European level, the Chilean exporter confronts a number of barriers to enter the market, some of which are “mere” complexities in the market and others potentially constitute trade barriers to be dealt with under WTO rules. The organic agriculture situation is considerably different to that of the forestry situation. In the case of organic agriculture, the organic product is in direct competition with the producers in the EU. The European Union has developed a strong internal market for these products and producer associations directly participate in certification and/ or sales and marketing of the final product.

Organic wine

The current certification scheme is difficult to penetrate; the national certification scheme must obtain recognition from the EU. Alternatively, certification must be obtained on a case by case basis in each EU country.

Organic agriculture in the EU is regulated by legislation 2092/91 which refers to production methods, labelling, processing, inspection, and sales and marketing of products inside the EU. It also refers to imports of organic products from non member states. Imports from third countries are subject to a system of recognition or equivalence.

The procedure that nations must undergo in order to obtain an equivalent status, and thus be integrated into the third country list, is very extensive. In 2001, Chile applied for inclusion on the third country list and has, since this time, held numerous meetings with EU officials to analyze requirements and methods with which it must comply. Despite this, in December 2002, Chile had still not been added to the third country list.

For those countries that do not hold third country status, there is an “alternative route,” which implies that exporters must be certified and accredited in the importing country in each individual export operation. This system is not only very costly, but also very time consuming and has incurred implementation problems. Also, the notification scheme in which a member state has to give notice to the Commission, and to the other Community member states, has not been effective. This implies that the producer must comply with a number of different certification systems in different EU countries or, alternatively, must face extensive procedures in order to obtain certification in each EU member state.

In all, the current-three dimensional certification model (European, national, individual) has had a number of consequences for exporters:

- Certification must be recognized and accredited at the level of the EU,⁶ the respective national government⁷ and finally from the consumer, who is faced with a wide array of market labels. The existence of this large range of national and/or private certification schemes, running parallel to the EU⁸ scheme further complicates the situation.

⁶ Obligatory

⁷ The German proposal for a unified system under AGÖL clearly states that equivalence for importers must comply with AGÖL standards, as well as with EU standards.

⁸ This did not appear to be an important issue in the wine case study. It is not clear whether the final consumer has a preference for national certification schemes.

- The need to remain up to date with certification programs, market acceptance levels and opt for the most appropriate certification program for any given product.
- High costs of certification must be accepted.

Uncertainty surrounds the future of certification procedures for imports.

The EU ruling with respect to the parallel importing system will be revised in 2005. It is not yet known what implications this could have on exports from countries that operate under this system up until this date.

Significant subsidies exist for organic producers in the EU.

Given that in the past, community intervention in the wine sector focused primarily on reducing production potential, the main instruments applied were abandonment premiums and limits on new vineyards. Price support measures have consisted in distillations that are buying up different types of wine products for distillation at guaranteed minimum prices.⁹ However, in 1995–1996 the WTO Uruguay Round led to agreements on the suppression of this system of import protection, abolishing the reference price system and establishing a 20 per cent reduction in the customs duties, leading to an opening up of the European market and an increased exposure to imports from third countries.

The support for organic production is, however, based primarily on EU agri-environmental programs, as well as country and state level support measures. Given that each European country implements these programs in a different manner, it is useful to refer to one specific country case study. For the purpose of this study, Germany is the country analyzed:

The current EU rural development program (VO Nr 1257/1999) was adapted to the German case as part of a complex annual support structure. For the 2000/2001 period, agricultural subsidies for organic crops varied from region to region, and depended on the category of farm. In Sachsen and Rheinland-Pfalz, two traditional wine growing provinces, subsidies for organic wine production are as follows:

⁹ For 1998, budget expenditure was approximately 830 M ECU, compared to 970 M ECU in 1997.

Province	Type of use	subsidy		Inspection requirements, max. amounts, other stipulations
		Introduction US\$/ha/year	Maintenance DM/ha/year	
Rheinland-Pfalz	Crops and vegetables	250*	200	Control according to VO (EWG) 2092/91; Max. Amount per company and year 35.000 DM; a minimum of 5 % and a maximum of 10 % have to be ecological compensation areas; * in the first two years **in the first three years
	Viticulture	850 **	733	
	Ecological compensation areas	330	330	
Saxony	Crops	350*	300	Control according to VO (EWG) 2092/91; membership in the AGÖL is obligatory; * in the first two years **in the first three years
	Vegetables	700*	450	
	Fruits	1.000**	850	
	Viticulture	1.000**	850	

(source: translation of www.soel.de/inhalte/oekolandbau/agrarpolitik_praemien.html)

This **direct** financial assistance for organic wine production was equal to approximately 10 per cent of the production costs involved.¹⁰ Offermann and Nieberg (2000) have attempted to calculate the importance of compensation payments for organic farming in Europe for the different groups of farms (not specifying viticulture). They obtained percentage values of between 17 and 22 per cent of compensation payments relevance in profits for Germany, depending on the type of farm, for the years 1995–1997.

Additionally, there is a complementary support structure that consists of:

- other financial payments through other EU programs on agri-environmental measures and through national, provincial or local programs;
- support for the marketing of organic products (under the Guidelines for the Promotion of the Marketing of Organically Produced Agricultural Products);
- subsidies given to producer trading organizations, for the processing and development of marketing concepts;
- financial support towards certification costs—depending on the province, support is provided towards certification. In Baden-Württemberg for example, a farm can receive up to 200 Euro of support, whereas in Bavaria up to 400 Euro are paid. Average certification costs vary between 100 and 500 Euro;¹¹
- support for advisory services by producer associations (with partial state funding), by state advisors, or by producer groups—in the different provinces different schemes of advisors are supported. Lampkin *et al* (1999), in table 5.6.2.1., have summarized the

¹⁰ This takes into account that organic production causes a 30 per cent cost increase in comparison to conventional production.

¹¹ Lampkin *et al.* (1999) describe support measures with a view to certification for all European countries. In Italy, for example, financial support towards certification costs can cover up to a 100 per cent of these costs (own calculations based on information provided on p.322).

- support schemes of this type. In 1997, the total number of advisors supported at the provincial level amounted to about 70; and
- state- or EU-funded support for research and training.

A complex system of marketing channels

The marketing of organic products has, in many European countries, been identified as one of the key limiting factors to the expansion of organic farming. Marketing assistance is provided by private producer associations, as well as by different EU member countries' governments. Some of the main challenges in the promotion of organic farming are: to generate information on marketing channels, to increase the range of products, to enlarge existing and find new, marketing channels.

In each of the European member countries, marketing channels for organic products are rather different. Whereas in Germany direct marketing and marketing via specialized shops has dominated since the outset, the marketing role in the United Kingdom, Denmark and Sweden has been assumed by the supermarkets. The dynamics of this market have been reflected in an increasing participation of the supermarkets. Similarly, there has been a large influx of multinationals into the market who have started to develop their own organic brands, or who have acquired an already specialized organic produce company. Supermarkets have also begun to introduce their own organic brands and have taken over, in some cases and in some products, very significant market shares.

In the European marketing studies available there is no reference to the marketing of organic wine. It is estimated that the most important marketing channels are specialty shops and direct contact with the consumer. However, the major market trends, such as the role of supermarket chains, the arrival of global players, and the use of the internet, also plays an increasingly important role. According to Kopfer y Willer (2001), 30 per cent of organic wine sales are conducted directly with the vineyards, 15 per cent by conventional wine merchants, 15 per cent by organic shops and supermarkets, 15 per cent by restaurants and the remaining 15 per cent by other sales and marketing techniques.

Wine trade fairs as well as organic product trade fairs deserve special mention. Without a doubt, the most important of the latter is Biofach, which in 2002 attracted a total of 2,000 exhibitors, 181 of which were organic wine exhibitors. Very few of these were, however, non-European, and only one came from Chile.

Lack of systematic market information

Given the sheer diversity and dynamic nature of this market, as well as the divide between producer and consumer, efficient, easy and quick access to information is fundamental. General information—standards, trends, marketing channels—as well as specific information—procedures, certification, costs and preferences—is important. These issues are particularly relevant to third country producers when opting for, or against, organic production.

Even though in the past, several international organizations have delivered information on organic or green markets, or on the environmental requirements of conventional markets, there has not been enough continuity in these systems to be useful tools for producers.

In Chile, although several initiatives encouraging improved market information have begun, they are not yet at a level suitable to have any significant bearing on the market.

Forestry production based on sustainable management

In the SFM product market, more so than a protectionist situation, the main issue revolves around the management of the value chain. This implies the following: preference is given to two international certification schemes; the additional costs these imply; the acceptance of national certification schemes; a criterion of the international certification systems, combined with the problem of delays and geographical distance between final consumer and provider of the raw material and the lack of market information that this implies for both sides.

The two programs which are currently in operation in Chile are CERTFOR, a national program, and ICEFI, a national version of FSC. Both schemes establish requirements for their accreditation bodies in accordance with international principles.

Even though various policy tools at an EU level, such as the Fifth Environment Action Program, the EU “Biodiversity Action Plan for the Conservation of Natural Resources,” and the 1999 Forestry Strategy (Council Resolution), amongst others, recognize the importance of certification, none suggest that SFM certification should be mandatory. Nevertheless, they do show a concern at a European level to develop and incorporate common and suitable definition for SFM within community policies. This will quite feasibly occur in the medium term. Furthermore, some governments, such as the United Kingdom and Germany, have established a number of obligations for government procurement regarding certified products, demonstrating the strength of this trend.

On the other hand, practically all EU companies that have forestry products in their value chain, make mention to certification in their environmental policies. According to information contained in Bull *et al.* (2001), on sustainability reports from numerous companies and in interviews carried out in the context of the project, a marked preference for international certification schemes such as FSC and PEFC can be identified at a European level. Although FSC is the preferred system amongst NGOs and some buyers, PEFC has become the choice of a number of institutions, especially those linked to the industrial and governmental sectors. For example, in their environmental editorial manual (*Handbook on Magazines and the Environment*), the FAEP (Federation of European Magazine Publishers) encourages paper manufacturers to demand “examples of sustainable forestry, preferably certified by an international scheme and by an independent third party.” Similarly, Otto Versand, a leader in furniture sales, confirms that the majority of their purchases are certified by FSC. Another example is Axel Springer Verlag, the largest newspaper publisher in Germany, who buys products certified by PEFC and FSC schemes or by national systems recognized by PEFC. It should be noted that both programs, PEFC and FSC, promote the development of national schemes. In the case of FSC, these schemes must fit into the framework of the FSC International Principles and Criteria, whereas the PEFC scheme promotes national initiatives that are “credible and acceptable,” meeting certain prerequisites established by the system.

Mutual recognition of certification schemes has been suggested as the solution to problems of credibility that have arisen with the proliferation of so many national schemes in the market place in the past few years. A number of initiatives have been put forward in this context. For example, CEPI (Confederation of European Paper Industry) has developed the Comparative Matrix of Forest Certification Schemes. This Matrix identifies and compares 50 different certification schemes, including FSC and PEFC, distinct national initiatives in the EU and from other regions

of the world. The objective is to provide a tool for comparison between the many differing schemes in operation, using commonly accepted principles for credibility. Nevertheless, due to the sheer diversity of the actors involved and the nature of the discussion, the minimum criteria required for a certification system have still not been defined, making mutual recognition difficult. Even though large forestry companies and associations in the EU promote recognition, there is still a considerable amount of resistance to the subject especially by NGOs. This polarity is also reflected amongst the main international certification systems such as PEFC, who are linked to the industrial sector and FSC who are more closely linked to the NGO sector.

Certification costs are made up of both a fixed cost, which corresponds to certification audits, and a variable cost for system alterations. In the case of ICEFI, costs were analyzed based on literature available on the FSC International scheme. The analysis of this information demonstrates the sheer variation in total system costs, in terms of both fixed auditing costs and the variable costs associated with system alterations, which vary depending on both the size of the forested area being certified and the certification body itself. Those companies with large scale operations, incur a higher total certification cost, but with a lower cost per hectare. Due to the implication that certification costs may represent for smaller companies, FSC allows group certification for small forestry landowners, which allows them to reduce costs significantly. Additionally, FSC provides donations and subsidized services to forestry companies and reduced cost inspection services to small forestry companies. With regard to CERTFOR costs, although the system has not yet been fully implemented in Chile, CertforChile insists that certifiers and auditors would have a national presence, and it is quite probable that CertforChile would, therefore, incur a lower auditing cost, given that ICEFI only use FSC International accredited certification bodies (which are normally made up of overseas experts). With regard to the CERTFOR system's variable cost, the "Auditors Manual" sets out different levels of requirements dependent on the size of the company, particularly from an administrative point of view. This would suggest that costs would be lower for smaller landowners. However, it is not known to what extent, or even how, this will finally affect the cost per hectare.

The demand for regulation of certification

It is important to point out that the nature of the two cases and certification systems is quite different—one, organic agriculture, is regulated by official authorities, the other, sustainable forestry management, is voluntary, private and unregulated. The possibility of regulating forestry certification, as in the case of organic agriculture, raises concerns. Nevertheless, given the dissimilar nature of this market, the outcome is likely to be somewhat different. It would be a mistake to conclude from this report that the change from a voluntary system to a formally regulated system would, by definition, be negative for developing voluntary exporters. As seen in other chapters, the outcome depends very much on aspects such as the regulatory capacity of the exporting country or the degree of inclusion of developing countries' perspectives, especially when setting WTO rules and EU regulations.

From the case studies, several (potential) pros and cons of voluntary unregulated or regulated systems may be deduced:

	Regulated system	Voluntary unregulated system
PRO	<ul style="list-style-type: none"> • Institutionalisation of support system at national and international level • Clear rules • Commitment by public authorities and thus, potential inclusion into cooperation schemes 	<ul style="list-style-type: none"> • More agile system, avoids bureaucracy • Market decides on who comes in quickest, greater efficiency
CON	<ul style="list-style-type: none"> • Slowness of bureaucracy • Lobbying, national interests 	<ul style="list-style-type: none"> • Random • Unclear system of control

The rules and role of the WTO

The WTO has sat on the sidelines of this discussion, at least regarding voluntary unregulated schemes. The only rules applicable to voluntary standards are contained in the Code of Good Practice for the Preparation, Adoption and Application of Standards by Standardizing Bodies, detailed in Annex 3 of the Technical Barriers to Trade (TBT). This Code is, however, directed at the respective national standardizing body, representing ISO. There is no mention of those voluntary certification schemes, which do not fall under the domain of standardization bodies.

Other WTO organizations involved in the trade in sustainable products include, the Trade and Environment Committee and sectoral committees such as the Agriculture Committee.

Problems with the national market?

Problems at the domestic level also revolve more around organic agriculture than sustainable forest management. The following section sums up the discussion on these problems.

Organic wine and grapes

There is a lack of clear strategy with regard to organic agriculture or a functioning certification scheme.

There is no strategic plan in place to promote organic agriculture. In 2000, the Ministry for Agriculture took the first step towards establishing a national certification system. This system currently consists of a voluntary program, applicable to unprocessed products intended for export. Nevertheless, the idea is to move towards a compulsory system that includes processed products, which will be applied to both export goods and domestic market goods. The Ministry prepared a couple of legal projects to achieve this objective through two alternative routes. The first, the Law on Organic Agriculture, is a framework that requires further laws in order to be put into practice. The second is a modification of the Organic Law of the Agricultural and Farming Committee (SAG) (dependent of the Ministry of Agriculture), giving the SAG specific attributes to extend its authority to the domestic market and to processed goods. These projects are not yet official documents and have not been submitted to debate with other ministers or parliament. The system does not currently function as a certification system within the private sector and, therefore, there are no advantages seen in participating. At the same time, SAG hopes for recognition from the European Union and other relevant markets, in which case the export companies could access such markets with certificates issued by companies approved by SAG, rather than through the authorization mechanisms of the import countries.

The system still differs significantly, however, from the European system, which could make its recognition as a third country somewhat difficult.

There is no specific government support

The support mechanisms identified are aimed at agriculture in general and there is no specific support exclusively directed at organic agriculture. Support initiatives do not respond to a policy or a strategy that fosters development of the organic sector and, as such, these initiatives are isolated.¹² There is also an inadequate diffusion of information on the application of support measures available to agriculture (including organic agriculture) and there is a lack of knowledge on which instruments actually exist. There are demands being made by organic agriculture organizations to create an explicit and specific support mechanism for the industry.¹³ The organic wine sector, the same as all other organic production, requires a coordinated support program on the part of the government, which would be responsible, for example, for resolving obstacles to information, technology and certification, in a comprehensive manner.

Lack of a solid internal market

Organic wine is solely produced for export. To date, there is no domestic market for this product.

Lack of market information and technical training

The technology required to produce a quality wine under organic management is not simple and requires knowledge that is not easily accessible in Chile today. Some people go so far to say that good technical information does not exist in Chile. Larger vineyards address this technological challenge by contracting specialized consultants and enologists. The situation is far more serious for smaller vineyards, which often appeal to the universities and are dependent upon information provided by third parties. Information is also provided by the certification companies, who do not often dispose of the specialized, trained personnel required and who cannot provide the necessary networks that transfer technology and information to their members.

Legal information is basically obtained through the certification company

With regard to market information, there is no systematic character identified. The companies that are also exporters of traditional wines obtain their own clients. Similarly, there is no producers' association for organic wine and existing wine associations have not assumed this responsibility.

Forestry production based on sustainable management criteria

The majority of forestry products are destined for export, which makes the export market the main element to be considered in this discussion. Therefore, the certification of products in the export market does not imply the same market dichotomy as in the case of organic products. Nevertheless, there are a number of elements that may influence or hinder the process of forestry certification at a national level:

- conflicts with NGOs and companies on topics related to the sustainability of the sector;

¹² V. Zenteno, *op. cit.* The exception might be PROCHILE's work and that of INDAP with the PRORUBRO initiative.

¹³ For example this is the opinion of AAOCH president in the conference "Organic Agriculture in Chile," in Valdivia, March 2002

- lack of information on the international market; and a
- lack of a systematic government focus for forestry certification.

Recommendations

In order to confront the obstacles identified, a concerted action is required that goes further than a public or private institution, further than a trade association, further than an active or passive NGO with good intentions and even further than actions by a single country at the international level. It requires a general strategy that will involve all actors and could include the following elements:

- support for the creation of a Sustainable Trade and Innovation Centre¹⁴ as proposed by IIED (2000) to ensure market information and analysis;
- call for clear rules on equivalence and/or mutual recognition, especially involving important schemes such as IFOAM and the EU system for organic agriculture and FSC and PEFC in sustainable forestry;
- insist on the importance of national procedures to create certification schemes;
- in discussions at an international level, insist on the inclusion of specific eco-labelling schemes:
 - in the TBT Code of Good Practice on the Elaboration and Implementation of Standards, possibly calling for an independent body to oversee implementation of the Code; or
 - other private market forums appropriate for the discussion on these schemes
- include discussions on subsidies for environmental goods in the WTO, aiming for *quid pro quo*, that is, technical assistance and market information for acceptance of subsidy programs;
- analyze the consequences of the inclusion of organic agriculture and sustainable forestry products in the classification of environmental goods at a WTO level;
- be aware of the negotiating strategy of the industrialized countries, especially the EU, and the arguments and actors behind it;¹⁵
- foster regional cooperation and information exchange.¹⁶

The lowering of tariffs for organic agriculture and sustainable forestry products could be an interesting way to promote the production and export of sustainable products. Forestry products from sustainably managed forests are included in the EU's Generalized System of Preferences, already implying a reduction in tariffs. In the case of wine, current tariffs for conventional production amount to around US\$20 per hectolitre. A reduction of tariffs for organic wine could establish a competitive advantage over conventional wine exports. The recently signed EU-Chile

¹⁴ "Sustainable" should be understood by the two following definitions: sustainable products and sustainable centre, the latter proving to be the stumbling block of many of the previously mentioned initiatives.

¹⁵ The preceding chapters have shed some light on this aspect. Documents such as AGOL (2000) provide an overview of the positions of the different stakeholders in the case of organic agriculture. It is clear that the push will be on an extension of the green box measures, an emphasis on supporting local markets, and an attitude of considering the support measures as "payments" for environmental services, rather than "subsidies".

¹⁶ More advanced countries such as Argentina or Costa Rica, can provide useful experiences to other countries in the Region that have more recently initiated their programs. See for example UNCDTAD and UNEP's CBTF initiative (www.cbtf.org). The Costa Rican case has also been presented at a WTO level (Trade and Environment Committee, WT/CTE/W/202, October 8, 2001).

Association Agreement¹⁷ envisages a reciprocal zero tariff system for both forestry products and wine, with a schedule of four years for this reduction.

At a domestic level:

- develop a discussion around “sustainable trade,” the opportunities this involves and the state support required for its promotion;
- design coherent, systematic strategies for each of the sustainable products involved;
- commit to the full implementation of a certification system for organic agriculture and provide technical assistance on the accreditation procedures in the forestry sector. The creation of the legal framework is not enough for the implementation of certification. As Von Moltke observed recently:

“Independent, effective institutions for the development of technical regulations and undertaking conformity assessments are a matter of great importance for any country that wishes to participate in the lucrative segment of international trade that is defined by such standards.” (p.17)

Furthermore, the institutions referred to are not exclusively the standardization bodies but all other institutions involved in the certification and accreditation procedures.

Specific recommendations concerning organic agriculture include:

- focus assistance on marketing as well as technological assistance;
- provide financial assistance to certification during conversion period;
- call for participation of third countries in the re-definition of EU access for organic products in 2005; and
- explore possibilities to include EU cooperation on the promotion of organic agriculture in the EU-Chile Cooperation Agreement.

And for the forestry sector:

- work on a better understanding of supply chains, bringing end clients and raw material providers closer together; and
- foster information exchange and cooperation between the two national certification systems.

Looking at these recommendations it becomes clear that there has to be a commitment or coordinated action on behalf of: The Ministry of External Relations, in particular PROCHILE, the Department of Trade and Sustainable Development, The Directory of Multilateral and Bilateral Agreements and Negotiations of CONAMA, in particular the International Cooperation and International Relations Department, the Ministry of Agriculture, in particular SAG (Agriculture and Farming Service), CONAF (National Forestry Commission) and the Ministry of Economy, in particular the services that are related to the promotion of production (CORFO).

There is no quick or easy way to ensure that FAO’s, UNCTAD’s, ITC’s or so many others’ identified “opportunities for incorporation of developing countries in sustainable trade” materialize. Nevertheless, the sustainable products market is clearly a market experiencing great

¹⁷ See for example www.direcon.cl

expansion that has undisputable potential and therefore, taking that next step towards initiating a more coordinated management plan for sustainable products seems undoubtedly a worthy challenge.