



Business and Industry Advisory Committee to the OECD

Comité Consultatif Economique et Industriel Auprès de l'OCDE

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**BIAC STATEMENT TO THE  
INTERNATIONAL CONFERENCE ON ECO-LABELLING  
FOR A SUSTAINABLE FUTURE**

**Berlin, 26-28 October 1998**

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The globalization of markets and trade has driven world economic growth, and augmented the sharing of environmental policies, practices, technologies and expertise across international boundaries. Increasing amounts of more accessible information about the environmental practices of corporations and the characteristics of products, greater multi-stakeholder cooperation, and rising public awareness of environmental issues have contributed to this trend. The development of new instruments by business - mainly within the framework of ISO - (i.e. EMS, LCA, risk-assessment etc.) supports the management and improvement of the ecological profile of products. By enhancing their ability to assess the environmental impacts of products – within single enterprises and along the entire life cycle – enterprises also create a broader basis for providing reliable and differentiated information on the ecological profiles of their products to their customers, to authorities and the public.

As a result, the market can now, more than ever, be an essential enabling vehicle for sustainable development, motivating cost effective approaches to environmental protection, driving innovation, and opening new opportunities to improve people's lives. However, it has also presented new challenges for governments, business, and other elements of civil society, as traditional policies and practices applied at a national or regional level may struggle to address environmental and social issues on this new global playing field.

In fostering progress towards sustainable development within a global economy, each societal partner has a variety of essential roles to play, roles that may go beyond current established practice. No single sector of society can stimulate change alone, nor can any single policy provide a panacea. This is particularly true for the use of market-oriented policy tools, such as environmental labels.

The stated objective of environmental labeling is to provide information to the public and to business-to-business customers about the environmental impacts of products and the ways they are designed, produced, distributed, used and disposed of. Such information can facilitate environmental progress by enabling more informed consumer decisions. This overall objective is supported by most, if not all, manufacturers. However, it is essential that the information that consumers receive is credible, fact-based, not misleading, scientifically relevant, and accurate. This standard should be applied to all types of environmental labels.

Today, there are two primary forms of environmental labels – “seal-of-approval” programs, and “self-declared” environmental information. Manufacturers' experience around the world with some types of environmental labels, especially government sponsored seal-of-approval programs, has identified a number of trade, consumer and environmental concerns with such programs. These may indicate that broad-scale use of such labels in their current form could be counter-productive, and has become more problematic in light of the trend towards more open markets and trade. In order to adequately address the potentially negative effects of government-sponsored seal-of-approval programs, they must meet a number of requirements:

- Their choice of criteria must be objective, based on scientific evaluation and analysis, not subjective judgement;
- They should educate consumers about the actual environmental attributes or tradeoffs associated with the products they purchase, and should not mislead consumers to buy products which may have an equal or greater environmental impact than their unlabelled counterparts.
- They must be based upon proper consultation with and participation from all stakeholders, including business;
- They should avoid the creation of potential barriers to trade by the use of criteria which are either intentionally or unintentionally protectionist in nature or contrary to WTO rules (which are not yet well developed in this area). This is particularly problematic where a program's criteria are based on a product's processing or production methods.
- As voluntary programs, they must avoid becoming commercially mandatory, for example, via government procurement or mandates by retailers.

Taken all together, these aspects have to be carefully considered in order to avoid hampering innovation for both environmental progress and product performance and to provide more informed consumer decision-making. We note that these concerns have been identified and discussed in a variety of fora, including the European Union, the WTO Committee on Trade and Environment, UNCTAD, OECD, ISO and the Trans-Atlantic Business Dialogue (TABD). In addition, the growing number of national and regional programs has raised challenges stemming from competition among various programs, causing confusion for consumers and manufacturers alike.

Because of their accountability to their citizens, governments therefore must ensure that there are sound science-based, cost-effective, voluntary frameworks that:

- assist customer and consumer choice;
- stimulate innovation; and
- resist protectionism and market distortion.

For both consumers and customers, making sound decisions means becoming informed about the environmental burdens and benefits of the products and services they use. Thus, based on experiences with virtually all other aspects of developing and selling products, industry believes that the preferred alternative to government sponsored seal-of-approval environmental labels is the direct sharing of factual environmental information with consumers and customers. For the market to function properly, enlightened consumer choice based on factual information is vital.

One key responsibility of companies in this context is to provide credible, relevant and accurate information about their products. For governments, strong enforcement of “truth in advertising” laws, especially as they apply to environmental information, (e.g., U.S. Federal Trade Commission (FTC) Environmental Marketing Guides, Canadian guidelines, and recent United Kingdom rules) is essential for the market to function properly. In addition, the appropriate use of new communication media like the Internet for factual information, third-party verification of information to the extent it is expected by consumers, and partnership with NGOs are all potentially useful and effective tools to help ensure the accuracy of information in the marketplace.

### **Conclusion:**

Based on concerns with seal-of-approval environmental labeling programs, better approaches to informing consumers are needed. Labeling programs should assess their effectiveness, to better understand their achievements relative to consumer awareness and the environmental benefits which can be credited to their existence. Programs should focus on developing ways to provide relevant and factual information to consumers that help resolve the problems associated with traditional approaches.

For its part, business should become more pro-active in providing accurate and relevant information to consumers and society. Consumers and other stakeholder groups also must become knowledgeable enough to make informed decisions. Governments must enforce existing “truth in advertising laws” for all forms of environmental labeling, and support a full range of voluntary approaches that work with the market. In this way, all actors can work with, not against, trends of more open investment, better information flows and expanding global trade, which can help disseminate sustainable development practices, and improve the ability of the marketplace to enable environmental protection.

The Business and Industry Advisory Committee to the OECD (BIAC) was constituted in March 1962 as an independent organisation officially recognised by the OECD as being representative of business and industry. BIAC’s members include the industrial and employers’ organisations in the OECD Member countries. In the framework of its consultative status with the OECD, BIAC’s role is to keep the OECD informed of the private sector’s response to different policy options.