

Unlocking Trade Opportunities

Case Studies of Export Success from Developing Countries

Report:

- A copy of this report can be requested free of charge from the Division for Sustainable Development.

EXECUTIVE SUMMARY

Unlocking Trade Opportunities shows how developing country producers can benefit from rising environmental expectations in their export markets, particularly in the industrialised world. The report was commissioned by the United Nations Department for Policy Coordination and Sustainable Development as part of its implementation of the Agenda 21 action plan agreed at the 1992 Earth Summit. In Agenda 21, the governments of the world agreed that action had to be taken both to promote more sustainable patterns of consumption and production, and to make global goals for the environment, development and trade mutually reinforcing.

The Challenge

Much has happened since 1992 to take forward the goal of sustainable consumption and production (Part 1 - Introduction). Governments in the industrialised world have tightened product regulations and introduced new producer responsibilities for waste. Economic instruments are being used more, along with product information (such as eco-labelling). Public procurement policies are starting to incorporate environmental criteria and trade policies are being adjusted to support exports of sustainably produced goods from developing countries. In the business world, a small number of committed corporations are developing more eco-efficient production methods, and new ways of meeting customer requirements. Among consumers in industrialised countries, there is continued unease about the environmental impacts of their lifestyles, and a sense of frustration with the limited possibilities for change. Although the long-term implications of this is uncertain, for developing country producers that can adapt to these requirements and start moving to anticipate trends, new trade opportunities are now emerging.

The Response

The report presents 10 case studies where developing country enterprises and economies across the manufacturing, tourism, forest and agricultural sectors have turned tightening environmental regulations, new corporate practices and changes in consumer values to their advantage (Part 2 - The Case Studies).

The Case Studies

- Century Textiles, which runs India's largest textile mill, has switched to environmentally-preferable dyes and earned a premium price and sales growth.
- Fridge Master in Swaziland became Africa's first fridge maker to phase-out ozone depleting CFCs, boosting sales in South Africa.
- Electrostar in Egypt is aiming to use its CFC phase-out programme to open up new export markets.
- Jamaica has pioneered a new approach from government, business and local communities to 'green' the mass tourism sector and promote alternative tourism.
- Campements Villageois in Senegal has enabled rural communities to gain from international tourism.
- Coocafe, a consortium of coffee cooperatives in Costa Rica, benefited from fair trade arrangements, which provide a foundation for organic production.
- Chile has expanded its production of organic fruit, driven by environmentally-conscious farmers and the prospects of export markets.
- The Lango Co-operatives Union in Uganda has worked with the Swedish International Development Agency to make the transition to organic cotton.
- SWIFT and ETT Enterprises in the Solomon Islands have encouraged local communities to adopt sustainable forest management and win new export markets.
- The Tagua Initiative in Ecuador has generated both jobs and new incentives for conserving the rainforest by opening up a trade in tagua buttons.

The Lessons

Unlocking Trade Opportunities demonstrates what can be done in spite of often unfavourable conditions (Part 3 - Lessons and Ways Forward). None of the case studies are perfect, or represent a finished end-state which is wholly sustainable. But they do present initiatives where real improvements have been gained and where efforts are being made to continuously improve performance.

The case studies show that the trade opportunity is now a reality in key sectors. Exports that serve sustainable consumption and production are moving out of small, niche markets into the mainstream in terms of volumes and consumer acceptance. The size of this emerging market is still uncertain, but could be substantial. Already developing countries earn an estimated US\$500 million premium from organic exports.

The case studies also show that the benefits of higher social and environmental performance of exports are many and diverse, including economic gains (such as premium prices and increased sales), social benefits (such as job creation) and environmental improvements, as well as enhanced security through longer-term trading relations.

The case studies also demonstrated that pioneering companies, non-governmental organisations, communities and co-operatives can make a difference, often ahead of regulation or customer demand. But they also showed that partnership along the product chain is central to success for all producers, whether big and small, and that new commercial relationships are emerging as a result. Importantly, the case studies highlight that basic product quality and environmental sustainability can be combined, and also that sustainable products need not be more expensive than conventional brands. Nevertheless, in the initial stages, insufficient supply can lead to higher prices.

The issue of capacity was central to the case studies. Smaller enterprises need support to make the transition to better performance. This can come in the form of financial assistance and technical support along the product chain (e.g. through environment and development organisations), as well as from government agencies. The case studies underline the importance of independent certification of environmental performance for winning consumer confidence, whether for organic cotton, CFC-free fridges or sustainably sourced timber. Reducing the costs of certification for smaller producers can be achieved through group certification schemes and training local inspectors.

Lasting environmental improvements have to be rooted in solid social development, such as enhancing the skills base and job creation. In addition, local involvement is a prerequisite for success, and the case studies are testimony to the initiative of developing country producers.

The policy framework is also a critical determinant of success, both positively and negatively. The case studies highlight where trade barriers in the industrialised world constrains environmental improvement, and where perverse regulations and subsidies provide unfair advantages to polluting and resource intensive production and consumption. By contrast, a supportive policy framework in North and South can help to bring partners together and ease the transition process.

Ways Forward

Unlocking Trade Opportunities shows that the door is now opening for developing country producers to benefit from changing consumption and production patterns. The challenge is now to broaden the number of developing country enterprises and economies that can turn this raw potential into practical financial, social and environmental gains. Key action points include:

- Collecting information and developing statistics to understand market trends in key sectors and services affected by sustainable consumption and production.
- Improving understanding of the crucial ingredients for successful partnerships between business, environment and development organisations and government agencies by drawing up good practice checklists.
- Targeting development assistance at developing country exporters who are trying to improve their performance, especially small and medium sized enterprises.

- Promoting independent verification of standards and codes of conduct. Retailers in industrialised countries have an important responsibility for providing accurate information to the final consumer.
- Stimulating greater convergence between the social and environmental dimensions of trade by sharing experience among leading businesses, environment, development and consumer organisations.
- Improving market access for developing country exports in industrialised country markets, particularly in the agricultural and textile sectors.
- Reviewing and removing regulations in industrialised countries that hinder access of sustainably produced exports from developing countries.
- Reforming subsidies in both developed and developing countries to create a level playing field for sustainable consumption and production.
- Developing guidelines in industrialised countries for transparency, consultation and the phasing in of proposed environmental regulations.