

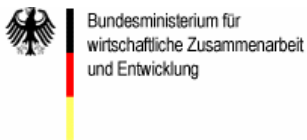
**Policy Research – Implications of Liberalization of Fish Trade for
Developing Countries**

**Trade Issues Background Paper:
Ethical/Social/Eco Certification, Labelling and Guidelines**

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Project PR 26109

July 2004



Support unit
International
Fisheries &
Aquatic
Research -
SIFAR



Food and Agriculture Organization (FAO) of the United Nations, Rome

This report forms part of a wider study on ‘Policy Research – Implications of Liberalization of Fish Trade for Developing Countries’, comprising five trade issues background papers and five country case studies.

The trade issues background papers are dealing with the following topics:

- Sanitary and Phyto-Sanitary (SPS) Measures and Technical Barriers to Trade (TBT)
- Ethical/Social/Eco Certification, Labelling and Guidelines
- The Impact of Subsidies on Trade in Fisheries Products
- The Impact of Dumping on Trade in Fisheries Products
- Fiscal Reforms and Trade in Fisheries Products

The case studies cover the following countries:

- Bangladesh
- Guinea
- India
- Uganda
- Vietnam

For a synthesis of the entire study including policy recommendations, see:

Bostock, T., Greenhalgh, P. and Kleih, U. (2004), Policy Research – Implications of Liberalization of Fish Trade for Developing Countries – Synthesis Report. Chatham, UK: Natural Resources Institute. ISBN 0 85954 560-1.

Copies of the various reports are available on the following websites:

- www.onefish.org/id/225570
- www.nri.org/projects/projects/htm

The study was funded by the German Ministry for Economic Cooperation and Development (BMZ), and the UK’s Department for International Development (DFID).

The views expressed in this report are solely those of the author and do not necessarily represent the views of BMZ, DFID, FAO or GTZ.

3. ETHICAL/SOCIAL/ECO CERTIFICATION, LABELLING AND GUIDELINES¹

3.1 Introduction

There is a wide range of certification schemes and initiatives related to standards, which are in various states of readiness – some dealing with social issues, and other concentrating more on sustainability and the environment. Some seek to provide accreditation while some just seek to establish recommendations about best practices or codes of practice.

The following presentation of initiatives is divided into those that are fisheries-specific, and those that are not but which might potentially impact on fisheries in some way. Following the presentation schemes currently being pursued, some discussion is provided on the potential impacts on developing countries. Finally, the paper draws some conclusions and makes some recommendations relating to both policy and research

3.2 Fisheries/aquaculture Schemes

Fisheries/aquaculture schemes can usefully be divided into those that are organic in nature and those that are not.

3.2.1 Non-organic schemes

These include:

- ***Fundacion Chile*** Code of Good Environmental Practices for Well Managed Salmonoid Farms. No social or poverty emphasis. No certification or use of labels.
- ***Global Aquaculture Alliance (GAA)*** Codes of Practice for Responsible Shrimp Farming. Environmental in their focus, but with some guidelines on community and employee relations. No certification or use of labels.
- ***Marine Stewardship Council (MSC)***. The MSC is an independent, global, non-profit organisation whose role is to recognise well-managed fisheries and to harness consumer preference for seafood products bearing the MSC label of approval. Certification strongly emphasizes environmental over social issues. Some criticisms have been levied at the MSC over their coverage of developing countries and small-scale fisheries. Use of certification and labels.
- ***Seafood Choices Alliance***. The Seafood Choices Alliance seeks to bring ocean conservation to the table by providing the seafood sector – fishermen, chefs and other purveyors – with the information they need to make sound choices about

¹ Paper prepared by Poseidon Aquatic Resource Management Ltd

seafood and provide the best options to their customers. Seafood Choices encourages the sale and consumption of eco-friendly seafood by raising awareness of these issues among its subscribers and individual consumers. The initiative is a US-based one, and focuses on environmental, rather than social, issues. No certification or use of labels.

- ***Marine Aquarium Council (MAC)***. The MAC is an international, not-for-profit organization that brings marine aquarium animal collectors, exporters, importers and retailers together with aquarium keepers, public aquariums, conservation organizations and government agencies. MAC's mission is to conserve coral reefs and other marine ecosystems by creating standards and certification for those engaged in the collection and care of ornamental marine life from reef to aquarium. The MAC Core Standards outline the requirements for third-party certification of quality and sustainability in the marine aquarium industry from reef to retail. The MAC Full Standards, to be produced within the next two years, will also include standards for mariculture and aquaculture. MAC does not have a social element embedded in their standards yet. However they are looking to amend these in the next year and they are likely to be similar to the FairTrade initiative. When completed it will mean use of certification and labels.
- ***Industry Standards for the Live Reef Food Fish Trade***. This is a collaborative project of the Marine Aquarium Council (MAC), The Nature Conservancy (TNC) and interested stakeholders. The LRFFT Standards project brings together stakeholders to develop industry "best practices". The project focuses on wild caught and cultured fish, and initial contact with MAC staff suggests that while the draft standards do not have a strong social emphasis, there is potential for exploring social issues within these standards. No certification or use of labels.
- ***Federation of European Aquaculture Producers Code of Conduct for European Aquaculture***. The Code takes account of the FAO Code of Conduct for Responsible Fisheries, and includes guidelines on social and economic relationships, as well as on consumer transparency and quality. No certification or use of labels.
- ***FAO Code of Conduct for Responsible Fisheries (CCRF)***. The CCRF, adopted in 1995 by the FAO Committee on Fisheries (COFI), is an international voluntary international code focussing strongly on sustainability, although certain parts of it are based on relevant rules of international law. It was primarily elaborated to deal with marine industrial fisheries, but subsequently guidelines to the CCRF have been developed for inland fisheries (primarily small-scale), aquaculture, and ecosystems-based management. A process is currently underway to prepare guidelines on increasing the contribution of small-scale fisheries to poverty alleviation and food security.
- ***National Standards and Codes***. There are also many national standards and codes of conduct that address environmental and social issues. Some are developed by a specific industry alone while others are developed by wider coalitions that may include governments (in the case of labour laws for example), NGOs and consumer associations. In Thailand the Thai Marine Shrimp Culture Codes of

Conduct is a voluntary code based strongly on the GAA codes and which is a set of principles and processes that provides a framework to meet the industry's goal for environmental, social and economic responsibility. In Vietnam a national code on shrimp farming is being developed by Government/Danida, which to some extent is expected to include social issues, but will focus on sustainability issues.

3.2.2 Organic schemes

These schemes obviously relate primarily to environmental issues, but comment is provided below on the extent to which, if any, schemes also include social issues. Organic schemes highlighted below are all examples of certification and labelling schemes with a focus on environmental issues:

- ***International Federation of Organic Agriculture Movements (IFOAM) Organic Aquaculture Standards.*** IFOAM is an umbrella organic agriculture organisation that is investigating issues in aquaculture. There is no social or poverty emphasis in current standards.
- ***Naturland Organic Standards.*** Standards accredited by IFOAM but have no social or poverty emphasis.
- ***Soil Association Certification Ltd.*** No social or poverty emphasis in aquaculture standards.
- ***National Association for Sustainable Agriculture Australia.*** It is an organic certification organisation that certifies organic agriculture production in Australia, Papua New Guinea, Sri Lanka and Indonesia to IFOAM standards. It focuses predominantly on terrestrial agriculture, but has criteria by which aquaculture operations can operate.
- ***BioGro New Zealand Production Standards.*** Organic aquaculture certification criteria, but no social or poverty focus.
- ***KRAV Kontroll AB Organic Standards.*** KRAV Kontroll AB is a subsidiary of KRAV, an organic promotion and certification company in Sweden. Like Naturland, KRAV Kontroll is IFOAM accredited. The standards from KRAV are a booklet containing organic production standards but contain no social or poverty issues.
- ***Debio Organic Aquaculture Standards.*** Debio is the Norwegian organic inspection and certification body. The standards have been developed in accordance with IFOAM (although they are not IFOAM accredited) and in conjunction with KRAV, but contain no social or poverty issues.

Given the strong relationship between environmental sustainability and continued economic/social benefits, it can be hoped that all environmental measures contained within the different initiatives mentioned above will go a little way towards ensuring that activities are also pro-poor. However, it is striking that only a very few of these initiatives, especially the organic ones, directly deal with social issues, and those that do almost unanimously place a far greater emphasis in reality on the environment, even if

they mention social issues in policy statements and overall principles. Moreover, a large number are strongly developed-country orientated with little or no application to production in developing countries.

3.2.3 Non fisheries-specific initiatives

There is also a wide range of non fisheries-specific social/environmental initiatives that may have relevance to fisheries.

International Social and Environmental Accreditation and Labelling (ISEAL) Alliance. The ISEAL Alliance is an association of leading international standard-setting, certification and accreditation organizations that focus on social and environmental issues. Taken individually, the standards and verification systems of ISEAL members represent efforts to define issue-specific elements of social and environmental sustainability. Taken together, they represent a holistic movement, with the ISEAL Alliance providing the framework. It delivers services to its members to strengthen governance and promote the legitimacy of their programs; it also provides a platform through which members can identify ways to work together. ISEAL advocates on behalf of our members in relevant trade discussions and monitors policy on regulatory issues of common concern. ISEAL is improving the quality of the standard-setting process through the establishment of objective criteria for how standards are set and through direct capacity-building of members to meet those criteria. In addition, ISEAL members are striving for performance standards that are more easily understood and measured, and that are consistent across different certification programs. Members include: Fairtrade Labelling Organizations; the FSC, the MSC, IFOAM, the MAC, SAI, and the Sustainable Agriculture Network. While not a responsible trade/ production initiative in its own right, it is relevant given its role as a lobby and information-sharing group for its members.

ICFTU/ITS Basic Code of Labour Practice: The International Confederation of Free Trade Unions adopted a text for a “Basic Code of Conduct covering Labour Practices” in December 1997. The code aims to establish a minimum list of standards that ought to be included in all codes of conduct covering labour practices. A central idea of this code is that codes of conduct must incorporate freedom of association and the right to collective bargaining. The basic code is meant to assist any trade union organization in negotiations with companies and in working with NGOs in campaigns involving codes of conduct. It can also be used as a benchmark for evaluating any unilaterally adopted codes of labour practice. This is a model code that may be adopted by businesses, and would be relevant for such companies/businesses involved in the fisheries sector.

The ILO was created in 1919 primarily for the purpose of adopting international standards to cope with the problem of labour conditions involving “injustice, hardship and privation”. The ILO standards take the form of international labour Conventions and Recommendations. Eight ILO Conventions have been identified by the ILO's Governing Body as being fundamental to the rights of human beings at work. They are conventions: No. 87 (1948) and No. 98 (1949) on Freedom of association and collective bargaining; No. 29 (1930) and No. 105 (1957) on the abolition of forced labour; No. 111 (1958) and No. 100 (1951) on Discrimination and equal remuneration; and No. 138 (1973) and No. 182 (1999) on the elimination of child labour.

Ethical Trade Initiative. The Ethical Trade Initiative (ETI) is a multi-stakeholder alliance in the United Kingdom. It has a tripartite structure in which NGOs, unions and the private sector are represented. The ETI focuses on ethical sourcing by companies, in particular retail chains. Members of this initiative are “committed to business ethics and corporate responsibility, promotion of worker rights and human rights in general. In employment, ethical business includes working towards the ending of child labour, forced labour, and sweatshops, looking at health and safety, labour conditions and labour rights”. Seven major food retailers and two seafood manufacturers in the UK are members of ETI.² In 2002, the possibility of an ETI working group on shrimp attracted interest from two of the food retail members and the seafood manufacturers, and some exploratory work was carried out. At that time, it was felt that there was not sufficient overlap between the expertise of the NGO members (whose shrimp experience related mainly to Bangladesh) and the sourcing practices of the companies involved (which related mainly to shrimp from South East Asia, Latin America and elsewhere but not Bangladesh). This work was therefore not taken forward. However, this may now be revisited within the ETI's Food Group, given a new campaign on shrimp by the Environmental Justice Foundation³, which involves contact with supermarkets. (Nautilus/IIED, 2003). However, ETI is still relevant where fish-related firms have adopted the ETI Base code even if there is not a working group on shrimp, as companies that are members of ETI are expected to adopt and implement the code and monitor and report their use of it in their supply chain.

Fair Trade. The International Federation for Alternative Trade (IFAT) is the international network of Fair Trade organisations. IFAT's membership includes some 111 producer groups, export marketing organisations and brands in 35 Latin American, African and Asian countries. It includes 15 Fair Trade organisations in USA and Canada, Australia, New Zealand and Japan; in Europe it includes 3,000 Fair Trade shops (“World Shops”) affiliated to the Network of European World Shops⁴ (NEWS!) and 53 Fair Trade organisations in 11 European countries, including the European Fair Trade Association (EFTA). It is estimated that more than five million producers around the world benefit from Fair Trade terms and the producer support and capacity building that is provided. IFAT's Code of Practice is based around issues of: commitment to fair trade, ethical issues, transparency, working conditions, equal employment, concern for people, concern for the environment, respect for the producer's cultural identity, education and advocacy, and working relationships. Fairtrade Labelling Organizations (FLO) is the worldwide Fairtrade Standard setting and Certification organisation. It permits producers and their dependants to benefit from labelled Fairtrade. FLO guarantees that products sold anywhere in the world with a Fairtrade label marketed by a National Initiative conforms to Fairtrade Standards and contributes positively to disadvantaged producers.

EUREPGAP. EurepGap is a certification system driven by 22 large-scale retail chains that form the core members of the Euro-Retailer Produce Association (EUREP). The main focus of the Good Agriculture Practices (GAP) norms are on food safety and

² The seven retailers are ASDA, The Co-operative Group, J. Sainsbury, Marks and Spencer, Safeway Stores, Somerfield Stores and Tesco. The seafood manufacturers are Anchor Seafood and Lyons Seafoods.

³ See www.ejfoundation.org.

⁴ none containing fish products as far as we are aware

traceability. They also include environmental (IPM practices) and social (issues on workers health) norms, although these have been criticised for being rather vague.

ISO 14001 Environmental Management System (& EMAS⁵). Requires that a company develops a policy in relation to environmental performance. No social or poverty emphasis. Use of certification but no label.

Social Accountability International (SAI). Social Accountability International (SAI) works to improve workplaces and combat sweatshops through the expansion and further development of the international workplace standard, Social Accountability 8000 (SA8000), and the associated S8000 verification/certification system.

Dow Jones Sustainability Indices. Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Corporate Sustainability is a business approach that intends to create long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. The indices are based on a weighted score of a wide range of criteria that include economic, environmental and social issues; in the case of the latter in the form of corporate citizenship/philanthropy, stakeholder engagement, labour practice indices, human capital development, social reporting, and standards for suppliers etc. Member companies are almost exclusively those based in the developed world. These indices are relevant to the extent that they may act as a driver for ethical trading codes.

National Standards and Codes. As with fisheries-specific initiatives, there are numerous national standards and codes of conduct that address non-fisheries specific environmental and social issues. Some are developed by a specific industry alone while others are developed by wider coalitions that may include governments (in the case of labour laws for example), NGOs and consumer associations. Some examples from the agriculture/horticulture sector include the "Compromiso Ambiental" of the Costa Rican banana industry that is monitored internally. Another example is the Silver and Gold Standards Code of Practice of the Kenyan Flower Council that is monitored by Bureau Veritas. A third example is the Green Food Programme in China with A-Grade and AA-Grade labels, the latter meant to be recognised as an organic label in international markets.

⁵ European Eco-Management and Audit Scheme

3.3 Discussion of Issues and Impact

A key issue relating to both eco-labeling and social certification is the extent to which producers in developing countries may be advantaged or disadvantaged by such schemes. In considering the wide range of schemes presented above, it is noticeable that in the fisheries schemes there is very little emphasis on social issues, but a strong focus on the environment, especially in the organic schemes. And for the non-fisheries specific schemes, there is far less, if any real direct involvement of the fisheries sector to date.

While certification and labelling schemes *may* offer the opportunity in some cases of higher prices and access to niche markets, many people have concerns (but little evidence) over the possible negative impacts on developing country producers. Concerns are based around a number of issues, as highlighted in many studies, and grouped in the recent study by Gardiner and Viswanathan (2004) into issues relating to:

- Legitimacy and credibility
- A mismatch between certification requirements and the reality of tropical small-scale fisheries
- Potential distortions to existing practices and livelihoods
- Equity and feasibility
- Perceived barriers to trade

This classification of concerns is considered useful, and is used in this paper to highlight and discuss the concerns raised in a number of studies and papers (see References), and to expand on some other relevant points of interest not covered in other studies.

Legitimacy and credibility

The International Collective in Support of Fishworkers (ICSF), write of concerns over “the practicability of a private accreditation programme such as the MSC, claiming to promote sustainable fishing, based on universal standards that are developed without due consultation with fishworker organizations, and that do not take into consideration the diversity of fisheries in the developing countries”. Although the Principles and Criteria of the MSC claim to be a product of an 18-month worldwide consultation process, there was no consultation in regions with the largest number of fishworkers and with the largest production of food fish in the world. There were none, for instance, in important fish producing and exporting countries such as China, India, Indonesia, the Philippines and Senegal. In all the consultations organized by MSC, the participation of fishworkers, without exception, was poor. Moreover, the list of signatories and supporters of MSC mainly includes wholesalers, retailers, environmental groups and consultancy companies; there are no fishworker organizations from any developing country (Mathew, 2002).

In relation to other certification schemes in both capture fisheries and aquaculture, these have also largely been driven by large-scale producers and retailers in developed country markets, and the same concern applies about a lack of real participation of small-scale and poor producers.

This lack of involvement has almost certainly meant that potentially negative impacts on such groups, and possible mitigating measures, have largely been ignored in the development of such initiatives. The ongoing work by the MAC, is perhaps an exception

to this, with extensive involvement of small-scale stakeholders in the process. Another notable exception developed by national stakeholders themselves in the Philippines is presented in Box 1 below.

Box 1: International Marinelife Alliance (IMA)

An example of a very specific, mandatory scheme to reduce ecosystem impact of fishing, and conducted in close co-operation with small-scale stakeholders, is provided by IMA. The use of sodium cyanide, dispensed from plastic bottles, to stun aquarium and larger reef fish destined has caused widespread reef destruction across the Philippines. The method requires little in the way of investment in fishing gear (or skill) and yet the rewards are high, as the demand (principally from China and Taiwan) is immense. Any attempt to alter the fishing practices of cyanide-fishers clearly demanded an innovative response. The IMA has met this challenge with a two-pronged strategy. On the one hand they have undertaken a Destructive Fishing Reform Programme across the Philippines training fishers to catch target species (principally Serranidae) using simple hook and line gear and decompression techniques that result in a high survival rate. On the other hand they initiated a scheme, in collaboration with the government's Bureau of Fisheries and Aquatic Resources (BFAR), whereby export of live fish and aquarium fish is only possible with a Cyanide Detection Test certificate. A network of six laboratories is now operational across the country and 25,000 tests have been conducted. The results have been impressive. Whereas in the early years of scheme 80% of the cyanide tests were positive, the proportion has now dropped to 25%. The scheme has become a model of its type and IMA are currently involved in advising fisheries departments across SE Asia and the Pacific. However, it is not known whether survival rate improvements have resulted in higher prices being paid to fishermen.

Source: MRAG/IIED, 2000

A mismatch between certification requirements and the reality of tropical small-scale fisheries

The MSC is certainly the most advanced capture fisheries eco-labelling scheme currently in operation. However, the process of certification is felt by many to be far more relevant to developed, northern countries, often with single species fisheries, than to developing country tropical fisheries. However, the differences between the industrial off-shore fishing of single species in higher latitudes, and the fisheries of tropical, developing countries are substantial. Open access and overlapping multi-species fisheries, fishing with numerous gears, and a multitude of landing sites often characterize small-scale fisheries in the tropics. The coexistence of commercial, municipal and artisanal fishers, and informal distribution and marketing of the catch for some fisheries, mean that current catches are often not properly monitored and reported. These differences in complexity, in regulation, and in the types of direct social dependence of fishers on the resource, have led those directly involved with small-scale fisheries to question whether eco-labelling certification in general, and the principles and criteria espoused by the MSC initiative in particular, can be meaningfully applied to these fisheries (Gardiner and Viswanathan, 2004).

Particular concerns relate therefore to both the limited data available in many developing country contexts, and the fact that management issues are often more complex in developing country contexts. Coupled to this is that community-based fisheries may rely on local traditional knowledge in their management rather than on conventional western scientific methods. In recognition of these issues, the WWF is attempting to test certification methodologies for small-scale fisheries at a number of sites, and The programme is working on certification in Brazil, The Philippines, Indonesia, Thailand and the Galapagos. The approach, which aims to maximize the use of local knowledge in the certification process, depends on partnerships with fishers and other stakeholders to assess the state of the fishery. However, whether such certification will provide solutions to the many outstanding problems of small-scale fisheries management is questionable. Four key points emerged from the MRAG/IIED review (2000):

- Although much of the equivalency issue revolves around the data-intensive standards expected to meet MSC criteria, the WWF approach remains wedded to using them. The WWF-Philippines inception report explicitly refers to ‘a biological and fisheries assessment’.
- Confusion over what the term ‘community’ actually refers to. While the potential benefits from community-based management are well documented, the question of scale of management versus the scale of the resource remains problematic
- The inevitable livelihood costs of applying management that would meet the certification criteria, especially if certification could only be achieved after a period of effective management has been proven i.e. there may be a need to trade off open access for better regulation, thereby reducing the ability of people to access fish as a mechanism for dealing with vulnerabilities and other shocks to non-fishing activities within livelihood strategies.
- While the criteria were acceptable as ideals (they closely mirrored the established objectives of the fishery), the key question of how conformity might be demonstrated was not resolved.

However, even if problems with community certification can be resolved, there is an additional concern highlighted by Mathews (2002) for artisanal fishers where they compete for the same resource with large-scale fishing units that use non-selective and environmentally destructive fishing methods and practices. Since, under the MSC scheme, the unit of certification is a fishery in its entirety, there is no scope to reward the responsible fishing methods of the artisanal, and to reprimand the destructive fishing activity of the large-scale, if both co-exist in the same fishery and small-scale fishers would not be in a position to benefit from an MSC certification programme.

Potential distortions to existing practices and livelihoods

Domestic markets in developing countries tend to be more sensitive to prices than export markets, due to lower incomes of local populations, and if eco-labeling results in, or requires price increases to make it justifiable to producers, increased sales to exports markets may reduce availability of fish for local consumption. Of course, whether this is really relevant to the food security of the poor in developing countries depends on the primary species being consumed in developing countries, by whom, and which fisheries are the potential subject of certification. For example, in West Africa, coastal fishing

communities primarily consume small pelagic species, with higher value demersals being sold to middle-income markets within the country, or for exports. If these demersal fisheries became certified with corresponding price increases, then it is likely that the impacts would be felt greatest by the urban middle-class in developing countries as this high value fish was diverted to export markets. Such a situation would appear to be more likely than a low value species normally consumed in a developing country being diverted towards export markets, with associated food security impacts on the rural poor, both because the costs of certification would be unlikely to make certification viable, and because there would be less demand for certified products from such small pelagic fisheries in developed countries.

A shift in emphasis towards export markets could also potentially have significant impacts on who benefits from trade (Kurien 2000). Generally women comprise a significant proportion of post-harvest employment in the fisheries sector, especially where processing and marketing is small-scale and local in nature. Increased sales to export markets would be likely to have significant gender impacts, with larger-scale buyers (probably men) being able to out-compete small-scale female buyers at landing sites, due the higher prices being paid for certified products.

Potential impacts could also have other impacts in terms of the benefits from trade accruing to different operators within the supply chain. To reach export markets, product has to be sold into marketing chains within which small-scale fishers may have relatively little influence on price transmission. If certification did have the predicted price effects in developed country markets it would be likely to reward middlemen and the post-harvest chain of custody, but not necessarily the fisher (Kurien 2000; SEAFDEC 2001).

It is possible that the existence of a price differential may actually increase pressure on particular stocks and diminish sustainability. On the one hand, higher prices for catches from a certified fishery could increase attempts by fishermen to increase catches in that fishery. And on the other, successful effort limitation in a certified fishery may displace activity to another fishery, with associated negative impacts on that fishery. For eco-labelling to function in support of sustainability, a realistic price premium, efficient, limited-access management and monitoring of the key biological factors have to be developed in concert (Gudmundsson and Wessels 2000).

As mentioned above, ensuring increased sustainability of resource exploitation is, in many cases, likely to require limiting access, often to those vulnerable and poor groups who most rely on fisheries for subsistence and income-generating activities. In the long-run, one could assume that the fish stock of a certified fishery would increase thereby generating overall benefits and perhaps ultimately greater benefits to poor and small-scale producers. But these benefits might not be realized for some time, so the time-dependent impacts of certification should also be considered. Short-term trade-offs in livelihoods and resource exploitation in favour of anticipated longer-term benefits may also occur as an indirect result of certification if such certification and the presence of organizations such as the MSC results in international emphasis on improved management - even where a particular fishery is not attempting to become certified, an increasing international concern of sustainability may result in general improvements in fisheries management practices.

However, in considering all of the above, it is important to stress that, as yet, there is little concrete evidence that eco-labeled product does in fact generate sustained price increases (even though short-term prices increases might be realized), and that impacts on and in developing countries may therefore be less significant than at first glance. The experience in Thailand (see **Box 2**), does however suggest that some increases might be possible. But as Mathew (2002) notes, there is “no clear signal from the market as yet that the price for eco-labeled fish could more than offset the costs of certification”.

Box 2: Thai Marine Shrimp Culture Codes of Conduct

At present the number of farmers adopting the Code of Conduct program is slowly increasing, but it is a small (5%?) proportion of the total. Some of the farmers involved are getting a better price for the product (through links with Carrefour supermarket). However, there is some recognition that it will be difficult in the short to medium term to bring large numbers of farmers into the program. The Government has therefore switched tack, with the first step to get all farmers registered and implementing a simpler "Good aquaculture practices". The intention is to get as many farmers as possible - small in particular - implementing a basic set of hygienic practices (mainly not using banned chemicals) that will enable them to still access export markets. The long-term objective is to bring farmers into the CoC program.

Source: NACA Pers. Comm.

Equity and feasibility

The criteria and indicators set for certification should be equally achievable by both developed and developing country fisheries. This issue has been covered in part in the text above on the differences between developed country single-species fisheries and multi-species tropical fisheries. However, another important issue is that it may be harder for smaller enterprises in developing countries, exploiting lower value fisheries, to participate in certification, especially given the relatively high costs. This problem has two components. Firstly, smaller-scale fisheries are less likely to find that any benefits from certification outweigh the costs (which may include initial certification of around \$50,000, re-certification, and possibly related increases in costs from required improvements to management practices). But secondly, and in addition, certification costs must be paid to certifiers (from developed countries) in advance, while benefits will not accrue until after product is caught and marketed. Small-scale producers in developing countries are less likely to be able to ‘front-up’ the money required for certification due to difficulties in accessing credit, and lower overall earnings/profits. Raising funds from government, and from stakeholders in developing countries, is likely therefore to be harder than in developed countries.

There are also significant potential concerns about the feasibility of certifying a fishery with large numbers of small-scale fishermen, as compared to an industrial fishery with fewer operators. And the potential for certification may not be equitable or feasible if local fisheries administrations lack either the financial resources, and/or the capacity to affect management improvements and comply with certification requirements.

Developing countries managers are less likely to clear all four of the main hurdles of certification than their counterparts in developed countries, i.e. that: the fishery meets the sustainability criteria; this can be demonstrated at the standard set; a secure chain of custody can be established; and the managing authority has both the resources and the incentive to achieve certification. In general, the large industrial fisheries in the higher latitudes appear better placed to meet all these criteria than those in developing countries, with a clearer advantage in the latter three than the first. (MRAG/IIED, 2000)

Such concerns appear to be justified based on the experience of the FSC (see **Box 3**)

Box 3: The experience of the FSC

Over 80 percent of all certified forest is in developed countries e.g. Northern and central Europe, Scandinavia, North America and Canada, and, and access by weaker groups to the procedures of setting certification standards has been limited. There are a growing number of national schemes in developing countries, but very little certification has been successful in the natural forests of the developing world. This is because

- Northern NGOs & commercial companies set FSC's agenda
- FSC certification favours Northern management systems
- It discourages poor performers from applying
- There are high cost of certification
- There are disproportionate benefits between producer and processor
- The benefits of certification, be they premiums, enhanced credibility or improved market access, are often not passed down to the producer but are shared disproportionately within the supply chain
- There are no southern certifying bodies
- Challenges are great for small woodland owners & small scale forest operations in developing countries

High costs for small enterprises are particularly problematic because of:

- The additional burdens (time and resources) placed on the woodland owner and/or manager to develop of management plans.
- Some criteria are not scale-neutral (e.g. landscape effects)
- There are difficulties in monitoring cumulative social and environmental impacts
- The high cost of certification per unit area

Mathew (2002) in his interesting comparison of the impacts of the MSC and Fair Trade on developing countries suggests that Fair Trade may provide greater opportunities and benefits for developing countries producers: "when it comes to defining 'sustainability', the MSC is fishery-specific and the Fair Trade is fishing method-specific, which is perhaps easier to implement in developing countries. But by focusing only on artisanal fishing techniques and small-scale fishing operations, the Fair Trade arrangement, although able to reward responsible fishing methods, may not be able to prevent fishers from investing in excess capacity, expending greater fishing effort and from contributing to overfishing. But in situations where the social considerations outweigh ecological ones, the Fair Trade arrangement may be of greater significance to developing countries.

This would especially be true of fishing communities with poor entitlements. Also, with regard to fisheries that are unable to demonstrate their sustainability, which is likely to be the case in many developing countries, responsible fishing methods could still be rewarded under the Fair Trade arrangement, something that is impossible under the MSC. Furthermore, the MSC uses international standards, or standards developed specifically for itself, while Fair Trade uses national standards, which could vary from country to country and which could actually provide greater flexibility for the producers' association in developing countries. Also, under Fair Trade, since the middlemen have been done away with, the members of fishworker associations, in addition to the premium on exports, would also benefit from realising a larger share of the export value of fish.”

Perceived barriers to trade

Given that there may be issues of equity and feasibility between developed and developing country producers, certification and labelling schemes may by default act as a barrier to trade where such schemes become a requirement and developing country producers are unable to comply with the standards and guidelines specified. But certification could potentially be used by some countries/buyers deliberately as a barrier to trade, thereby restricting market access. While less of an issue in social certification, fair trade schemes also run the risk of attracting similar criticisms of arbitrariness and potential trade infringements if insisted upon.

However, it seems most unlikely that developed countries will, or indeed would be able under WTO rules, to ban any imports of a product unless it was certified under a particular scheme. Barriers to trade are therefore more likely to be presented when individual processors/retailers in developed country markets specify that they will only buy certified product within a certain period (as Unilever have done). In assessing possible barriers to trade it is therefore imperative to consider market segmentation in developed countries, and who is supplying product into different markets, and from where.

The extent to which certification and labelling will be, or could be, used as a barrier to trade ultimately depends on the demand for certified/branded product in different markets. While there seems to be a general consensus that the most promising markets will be those in Northern Europe and North America, where consumers are relatively affluent, sensitised to environmental/social issues and used to this form of product differentiation (Deere, 1999; MacMullen, 1998), there is actually no clear evidence on how big the environmental and social markets are likely to become. Such evidence, and assessing the likely impacts on developing countries would require breaking down and matching consumer types (e.g. ABC1s) in different countries wishing to buy certified/branded product into those concerned primarily with environmental issues, those concerned with social issues, and assessing what species they most commonly buy. Then it would be necessary to consider whether such products are produced in developing countries, and if not, if products with potential for certification directly compete as substitutes for non-certified products originating in developing countries.

The MRAG/IIED (2000) study for example considers that the given that the main exports from developing countries are tuna and shrimp the impacts of certification may be minimal, because trade effects will be moderated by the limited degree of substitution

towards competing products from certified fisheries in the developed world, and because high seas migrations of the most valuable tuna species make them a difficult target for artisanal fishermen (although there are some examples e.g. Maldives). Analysis of trade flows for the US and Europe shows how infrequently imports from developing countries (and particularly low income developing countries that are in the tropics) have close substitutes from developed countries where certification is perhaps more likely to occur. The rock lobster case is, in a sense, the exception that proves the rule, and certification of Australian rock lobster could potentially impact on major developing country suppliers of lobster to the EU, e.g. Cuba, Bahamas, Nicaragua, India, Tanzania, Senegal, Ghana, UAE, and others.

In assessing certification impacts, it is also necessary to consider different supply chains, even to similar markets - for example, an exporter of shrimp may not be affected by certification if the processor/retailer they supply overseas is not interested in certification issues, while another shrimp producer in the same country could be significantly affected if certified product is required by their buyers.

An ongoing study (Poseidon/NACA/STEAM)⁶ has recently found that most multiple retailers are most concerned about traceability of product, rather than environmental or social certification per se. Almost all supermarket chains in the UK require, as a component part of traceability audits, investigation into environmental issues as well as guarantees of social/ethical conditions. However, much of this has been influenced as much by recent lobbying by groups such as the Environmental Justice Foundation (EJF), as by consumer demand. Generally supermarkets, who vary in their support for certification and branding schemes, believe that the majority of customers are more interested in other factors influencing customer loyalty. These factors include

- Value for money
- Speed at check out
- Quality of products

Some supermarkets report a growing awareness of environmental/social issues, with perhaps 15-25% of consumers conscious and concerned about such issues in their purchasing decisions. And most traders supplying the retail trade indicate that some (undefined amount) of these consumers might be expected to pay higher prices for products which have complied with a certification scheme, but that more consumers are aware of and concerned about environmental issues such as damage to mangroves, than social issues.

The study found little/no support from those interviewed in the retail sector for specific social branding, as retailers are concerned about large numbers of brands confusing consumers and adding costs. There is however some support for linking social/ethical issues into other environmental certification schemes (although the willingness of the schemes to expand into social issues remains another question) and traceability requirements.

⁶ EC-PREP Project (EP/R03/014) funded by DFID and entitled: The International Seafood Trade: supporting sustainable livelihoods among poor aquatic resource users in Asia.

The ongoing Poseidon/NACA study has also found that interest in environmental and social certification/branding also varies greatly for different products between the retail and catering sector, and between countries. There is no strong evidence in the catering sector in the UK for example of requirements to satisfy environmental or social/ethical issues in relation to sales of shrimp. Establishing labels requires large-scale promotional campaigns and a consistent presence and visibility on the market. In BeNeLux countries labels are very exceptional for fish products. Developing a special brand for Dutch fresh fish ('silver sealed') has been attempted, but failed for many different reasons, primarily because the fish, which guaranteed extra quality/freshness, did not obtain structurally higher prices than fish without the label.

These findings support those reported by Nautilus/IIED (2003). A recent survey referred to in the Nautilus/IIED report concluded that “in relation to decisions about food and shopping, consumers were unashamedly selfish. Most decisions are based on self-benefit, e.g. value for money, taste and convenience, rather than being driven by altruistic motivations”.⁷ There is also a widely recognised gap between what consumers say they do on ethical issues and how they actually act – a Cooperative Bank survey found that of the 80% of consumers who claim to shop or invest ethically, only 30% ‘practice what they preach’.⁸ The Nautilus/IIED report finds that organic labels are recognised by consumers as highly differentiated brands which they can trust, especially in terms of health and safety (absence of chemicals) and for which they are prepared to pay a premium – commonly estimated at around 10%. However this inclination is less based on ethical considerations than self interest in terms of health. Of course, issues of self-interest don’t apply to social certification, so the market for socially certified product can be assumed to be smaller than the organic market.

The Nautilus/IIED reports also suggests that in the catering sector, which consumes around two-thirds of EU shrimp consumption, demand for sustainable/ethical shrimp is even more limited because:

- Consumers are less concerned and discriminating about the origin of food served in restaurants - although they may be very concerned about quality
- Caterers/restaurateurs are typically smaller companies for whom certification issues would represent a higher relative cost.

Both the Nautilus/IIED report and the ongoing Poseidon/NACA study also have clear findings that for major retailers to be concerned with aspects of social equity and ethical trade, product volumes in a particular commodity have to be large enough to ensure a coherent market image – tropical shrimp in the UK for example is not such a high profile product.

Market segmentation can thus be very sophisticated, and generalisations in the literature about possible impacts of certification on developing countries therefore tell us very little about what the distributional impacts of such certification is likely to be both between developed and developing countries, between different developing countries, and/or

⁷ IGD (2003) Consumer Attitudes to ‘Eat the View’, report for the Countryside Agency, Watford, IGD.

⁸ Key Note (2002) The Green and Ethical Consumer, Key Note Ltd.

within developing countries. The lack of good studies on the actual impacts of certification is not surprising given that environmental and social certification in fisheries is a relatively recent phenomena, and even the MSC itself is not aware of any such empirical studies (Oloruntuyi Pers. Comm). Only one developing country artisanal fishery has so far been certified by the MSC (The Mexican Baja red rock lobster fishery), and while there are potential impacts of certification on developing countries in terms of product substitution (as discussed), that could have been, or could be researched, no studies appear to have done so. As a result, the actual impacts of certification on the poor in developing countries remains a subject of conjecture. This is something that urgently needs to be rectified. What does seem to be the case is that much of the general concern expressed in the literature over eco-labeling may be overstated given the current and potential size of market demand. It is likely that markets for organic, environmentally and socially-branded products will only be a niche market for some time to come.

3.4 Conclusions and Recommendations

The review of current schemes relating to environmental and social certification, and the literature that surrounds it shows that there is a wide range of schemes relating specifically to fisheries, and which are not fisheries-specific but which could potentially impact on the fisheries sector in developing countries. A number of studies in recent years have considered the potential impacts of such certification, but all have been theoretical in nature, and none have yet considered in any empirical form the actual impacts through case study field work, perhaps understandably as certification is a relatively new concept and is still building momentum.

There are as yet no studies which attempt to quantify the actual market size in a particular country for environmentally or socially certified fisheries products, either as a total, or broken down by species or market segment (e.g. retail or catering). Without such knowledge, and detailed economic analysis of substitution effects and price elasticities, it is almost impossible to say what the actual impacts on particular developing country producers are likely to be. Furthermore, most studies tend to generalise about the potential impacts without due recognition of the complex and varied marketing arrangements present in the fisheries sector. These marketing arrangements mean that such generalisations are actually rather meaningless in terms of assessing the potential impacts on producers in particular areas of particular countries, because the distributional impacts of certification are likely to depend greatly on the species concerned and the exact form and requirements of the supply chain, as well as on different demand factors in different developed country markets. This paper has tried to highlight that some of these different market subtleties are likely to affect developing country producers in different ways, with significant distributional differences in their impacts both between and within developing countries.

What appears possible is that market demand by both consumers and retailers for environmentally certified product, and especially of socially certified product, may be limited, and that the range of potential impacts on developing country producers may therefore be overstated. There is a tendency from surveys of consumer attitudes to overstate support for such schemes and theoretical 'willingness to pay', compared to

actual purchasing behaviour. And high profile campaigns by environmentally and socially concerned NGOs may not necessarily reflect consumer attitudes, especially if price premiums are to be required for certified product.

However, it is of course very difficult to say how market demand might evolve in the future. As/if momentum builds for certification both as a result of increased demand, and increased interest by producers⁹, a greater range of certified products would inevitably mean that impacts on developing country producers would become more likely, and more widespread.

Caution is expressed about making policy recommendations in the absence of any empirical research to support the view that there is an actual impact on developing countries as yet, and in what form such impacts are manifested e.g. on whom, where, for which main products, etc. The first, and overriding policy recommendation, is therefore to support detailed empirical studies to explore issues such as the actual market demand for socially and environmentally certified products under different schemes, and the relative positive and negative impacts of a) environmental certification, and b) social certification (as they are likely to be rather different).

However, in the meantime, and assuming that impacts on developing country producers do become widespread, other potential policy recommendations might include:

- Support for strengthening fisheries management in developing countries so as to increase the likelihood of successful certification
- Investigation into ways of bringing down the costs of certification
- Donor support to cover certification costs in particular fisheries, or at least to provide credit to small-scale producers who may otherwise not have sufficient access to capital
- Advocacy to increase the relevance of existing schemes to developing country producers, perhaps by allowing for greater flexibility, by more work on community certification, and/or by support for the development of national certification standards that are harmonised within a wider international framework
- Putting in place appropriate mitigating measures to deal with the particular distributional impacts of certification in developing countries i.e. in terms of gender impacts and the impacts on producers of different species, in different locations, and accessing different supply chains.
- More support for social rather than environmental certification, which initial thoughts suggest, may provide greater benefits to developing country producers.

⁹ The desire by the South African hake industry for certification was driven largely by the certification of the New Zealand hoki fishery, and a perception that hoki represented a competitor product in some markets.

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