

Executive summary

Exports from developing countries are increasingly affected by environmental factors. For some, this opens up new trade opportunities; for others it presents additional barriers and constraints. But what has rarely been asked is whether this environmentally-driven trade contributes to poverty elimination and broader-based development: in sum, **who benefits?**

To shed light on this question, IIED undertook an assessment of existing trends in environmentally-driven trade and commissioned five background reports. Two of the reports focused on actual experience of implementing environmentally-driven trade, covering organic coffee exports from Venezuela and the introduction of integrated pest management techniques to the citrus industry in South Africa. The remaining commissions looked at the experience of fair trade organisations in generating and evaluating development impacts and the trends towards convergence between environmentally and socially focused trade initiatives.

The dynamics of environmentally-driven trade are explored first (Section 2). Markets for organic produce, certified forest products and environmentally-preferable textiles are increasing in Europe and look set to grow further in the future. There are also moves to ally these environmental initiatives with similar efforts to improve the social performance of commerce, notably through fair and ethical trade. A range of factors explain this pressure for convergence, and although a “super-sustainability” standard is unlikely (and even undesirable), there are plenty of opportunities for learning and collaboration.

On different continents and in different sectors, the specific case studies of organic production at Quebrada Azul in Venezuela and of integrated pest management in the South African citrus industry highlight some important issues (Section 3). The most striking observation is the general lack of attention to the social impacts of more sustainable production for both organically certified and Integrated Pest Management systems. Linked to this, there is also no guarantee that efficiency gains or premium prices generated by environmentally-driven trade will be passed on to workers or local communities. The nature of the benefits generated is also more complex and multi-layered than simply an increase in price or volume for a single producer. Many of the more significant benefits of new trading arrangements turned out to be ‘intangible’, to do with the strengthening of social capital – trust, confidence and self-esteem – and also with influencing the market through impacts on government policy.

Over the past decade fair trade has emerged as a practical way of reducing poverty and empowering disadvantaged producers in developing countries. A review of experience at Twin and Traidcraft points to the many tangible and intangible benefits of fair trade for producers in developing countries (Section 4). But there is growing awareness that statements about the positive impacts of fair trade are often anecdotal, without rigorous baseline information or downstream data that demonstrate how this leads to development benefits at the local level. Most fair trade organisations are only now coming to terms with the challenges of developing a system for monitoring their impact in a more structured way. Participatory methodologies are being explored as a way of understanding the benefits of fair trade.

Now that environmentally-driven trade is becoming established as a mainstream phenomenon, it is time to think strategically and identify the opportunities for building in the social dimension (Section 5). At the moment, environmentally-driven trade can be socially blind. Not only are the social impacts of environmentally-driven trade poorly understood, but few, if any, attempts have been made to systematically monitor and evaluate the distribution of benefits. Equally, fair trade organisations do not have the ready stock of techniques and tools that the **who benefits?** project initially assumed could be used to assess environmentally-driven trade. The challenge for environmentally-driven trade, and equally fair trade, is to make assessment an integral part of their operations.

Six recommendations are made for moving forward.

- **Build capacity in participatory assessment of trade impacts:** Resources need to be found to build up the capacity of trading organisations to assess social impacts, drawing on and adapting the rich experience of participatory learning in the British development community to the trade arena.
- **Improve collaboration between social and environmental initiatives:** There are obvious efficiency and cost benefits to be gained from closer collaboration between the various different certification systems. If successful, these might be the precursors to multiple inspections at a single site carried out by a small team.
- **Reduce the burden on producers:** Efforts should also be made to find ways of reducing the burden on producers, for example, through graded or modular schemes which would allow producers to progress to a higher grades. This could open wider export opportunities as the capacity to meet higher standards was developed.
- **Pilot environmental issues in the Ethical Trading Initiative:** The ETI does not currently include environmental issues within its remit. A pilot initiative could be use-

fully developed to explore the strengths and weaknesses of integrating social and environmental measures in a number of sectors.

- **Develop policy tools for screening social impacts:** Formal mechanisms for screening forthcoming environmental legislation – for example, the proposed EU measure on azo dyes – are needed to integrate the social dimension and identify priorities for transition support.
- **Invest in building up national systems:** To reduce the costs of transition in developing countries, development assistance should be invested in building up the national level systems of regulation, certification and technical expertise that are preconditions for broad-based benefits from environmentally-driven trade.