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Social and environmental certification - institutional arrangements and impacts on Brazilian commodities?*

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The paper discusses the phenomenon of the ascension of social and environmental certification and labeling instruments. Certification and labeling instruments can restrict the access to markets without being a tariff, which makes them discriminatory in the sphere of promotion of international trade without these instruments being necessarily illegal from the multilateral trade point of view.

The certification and labeling instruments are not considered just market mechanisms. They also result from transnational actors' decisions that cooperate for the promotion of rules and norms, as an expression of the private sector's larger role and of the so-called 'third sector', in the field of international politics. The phenomenon is co-substantiated through private institutional arrangements – certifying entities which articulate stakeholders in transnational networks and start competing with States and international organizations in the production of social, labor and environmental patterns.

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It is assumed that there is a global demand for socio-environmental certification. This demand materializes through horizontal negotiation processes among different stake-holders and the result is the institutionalization of private rules and norms. Thus round table negotiations begin – their leaders are NGOs, companies, class associations and even governments. Then, entities are created with their own statutes and decision making instruments – councils, boards and elected executive committees with a mandate and registered statute.

Brazil responds to this global demand as one of the world's biggest commodities exporter and producer. This singular condition makes Brazil a unique case for the setting of social-environmental standards.

In general, the institutional arrangements analyzed point to a process of increasing density of rules and norms in regards to labor and environmental standards in Brazil and on a global scale. They partly meet international demand of different stakeholders, motivated by different sorts of issues – deforestation, use of agro toxic substances, slave and child labor, animal health, quality, etc.

This can be seen more clearly when the export destination markets are composed by developed countries, where there are active networks of NGOs who mobilize public opinion – e.g. coffee, soy and sugar. There is no foreign pressure in the case of cotton or beef, chicken and pork, whose exports are destined to developing countries, not too demanding in terms of social and environmental standards.

At the same time, a process of adoption of standards by producers, adapted to the Brazilian condition, is taking place, in the case of cotton and soy. The same trend is seen for sugar and meats, at least in the case of beef. In the case of coffee, this has already been

happening with several certification initiatives set by companies and cooperatives.

The constitution of domestic institutional arrangements, adapted to the production and processing conditions prevailing in Brazil, is an important risk-mitigating factor for exporters concerned about the use of labor and environmental standard as tariff barriers. Brazil has been able to meet the international requirements and in some cases to define even higher standards than those practiced in international markets, as is the case with the 'Soja Plus' certification process.

In the case of sugar, the expectation of constitution of an international market for ethanol is pushing Brazilian stakeholders to adopt a global compromise, however private and voluntary. This case is symbolic because sugar is the commodity with the biggest number of standard proposals the future evolution of the debate in this sector can give strong indications on which will be the trend relating to certification instruments and voluntary certification for commodities: are we moving towards a pulverization of private or voluntary certification instruments with normative content adapted to the local or regional dimension, or at some point, will States and multilateral organizations define regulatory landmarks to discipline international markets?

Another important aspect refers to the market motivations that explain the creation of certification instruments. One of the known incentives is the remuneration of the certified producer, in principle higher due to a prize paid by the market to have a socially and environmentally sound product. However, in the cases of cotton and soy this does not occur.

In the case of beef, however, there is an advantage in the price if the product's origin is proved through

some kind of traceability mechanism. The same happens in the case of coffee, illustrating the aspect which makes the certification instrument work as an incentive for the producers: in the case of this product, there is room for market segmentation in regards to grain quality (and its origin), and environmental and labor standards can work as an additional segmentation criteria for consumers concerned with these issues. In this way, coffee turns into a favorable product in terms of certification initiatives because it an opportunity for ‘associating’ the final consumption of a differentiated good to the improvement of small producers’ life conditions in developing countries, who can be better paid for planting and harvesting.

A factor which can explain the success of the certification instruments refers to their ability to project social and environmental benefits onto the final product. In this aspect, there are marked

differences amongst the products here analyzed. Coffee is the only case whose certification instruments/labels are the result of the strategies of many stakeholders - coffee roasters, traders and brand owners - to reach final consumers.

Brazil is well placed in this process of increasing international institutional density, which combines the market with private political arrangements. The country is on top of new challenges as it participates of transnational negotiating tables and produces social and environmental standards equal to or even more demanding than those in place in the international markets. These dynamics minimize the risks of exports destination markets using social and environmental standards with protectionist objectives. At the same time, it responds to the initiatives of domestic and international multi-stakeholder networks.