

Eco labelling in the EU : Lessons for Poland

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SEI Working Paper No 75

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First published in May 2004 by the **Sussex European Institute** University of Sussex, Arts A Building Falmer, Brighton BN1 9SH Tel: 01273 678578

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Abstract

Eco labels can bring about positive changes and improvements but not just because they are eco labels. Environmental labelling will only cause changes that all the involved parties want to make. It should be seen as a common language in communication between the concerned parties. The bigger the involvement of all stakeholders and the more impact they have on the labelling scheme, the wider is the acceptance and, ultimately the impact of the scheme.

"Eco labelling in the EU: Lessons for Poland"¹

1. Introduction

To successfully sell your product you have to do your marketing correctly. That is what I have learnt at university while taking a degree in marketing. Marketing is not about promotion and advertising but essentially about giving the customer what they want, the product that they need. Indeed, eco label is in some respects a product, a very special one. This is because it has several audiences: manufacturers, retailers, consumers, greens, as well as governments. They all have reasons to be interested in the label.

However, does a successful label have to satisfy all audiences? I will try to address the question of what exactly makes a label successful based on an analysis of four European labels: EU Eco Label (the Flower), German Blue Angel, EU Energy Label and Forest Stewardship Council Label (FSC). Instead of looking for factors that are beyond the control of those people creating the label, I will concentrate on factors within the programs.

We shall start with a short general introduction into labelling programs and their classification and then classify each of the four labelling schemes. In the second section we will attempt to assess whether these labels are a failure or a success. In the final part of the paper the major success factors will be described in greater detail, as well as reasons why some of the labels made have been successful while others could be considered failures. Indeed, presenting the success factors is an essential part of this paper.

The overall aim of this paper is to help and advise on setting up a local eco-labelling program in Barycz River Valley in south of Poland.

¹ This paper was written as part of a project which aims to establish a local labelling program in Dolina Baryczy in Poland. The aim of this paper was is to gain an understanding of the processes behind labelling and to determine what the key success factors for eco-labelling programs are. I would like to thank Professor Frans Berhous and all those people who work with different labelling programs and are named within the references, particularly Andrzej Czech.

2. Reasons for establishing eco labels

Consumers are usually not in a position to understand, compare and evaluate products on environmental information. The variety of different environmental claims concerning products may create a credibility gap in the market. As is the case for most products, consumers wishing to buy 'green' cannot judge and see for themselves whether the product is more environmentally friendly than the substitutes. In many cases environmental attributes are visible only in the production stage, for example the bleaching of paper without using chlorine or organic farming.

Manufacturers, companies and retailers often leave consumers easily confused by presenting environmental information on packaging in a misleading or illegible form, or on a section of the pack that is not distinct or clear. Environmental information is often associated with spurious or inaccurate claims, as excessive, multiple or meaningless claims, and also with claims which are not explained well.²

Many claims like "environmentally friendly", "biodegradable", "recyclable" have varying meanings in different countries. Or, in the vast majority of cases, thee claims do not mean anything specific, because they are not regulated by trade law. ISO has been making efforts to have these claims regulated by international guidelines. However, as Kusz (1997) notices, with so many stakeholders involved, among them manufacturers, the final guidelines are more likely to emerge as "a product of compromise than means for validating a product's environmental performance"³.

Here, eco labelling programs have their role to play. They are displayed on a product by the use of a small seal or logo and communicate an environmental message. "Environmental labelling programs may represent (..) an exception, a voluntary economic

³ Kusz J. P.(1997). Ecolabels investments: what's behind the label. *Forum for Applied and Public Policy*, 12 (1), 132-136

² Department Of Trade & Industry (2002). The Impact Of Labelling Schemes; report prepared by METRA MARTECH Limited

instrument which promotes more environmentally friendly purchasing on the side of the public and a precautionary approach on the side of industry."

Eco labels and claims certification programs were developed in the late 1980's. Their aim is usually to create environmentally informed consumers and provide market incentives for manufacturers to produce state-of-the-art products. They provide the potential to build credibility and boost sales.

Swedish Environmental Protection Agency (2000) states that eco labelling and environmental product declarations encourage the supply of and demand for products and services with reduced impacts on the environment. The market itself becomes a driving force for environmental improvements. In its report the Agency states that the market for eco labelled products and services has increased tenfold in Sweden between 1995 and 2000. During this time they suggested that the famous Nordic Swan (as the regional label is called) became the official Nordic symbol for environmental quality.

Eco labelling programs are present in more than 20 countries⁵ and while some schemes are becoming more and more popular, others struggle to keep producers interested.

Most researchers try to look for success factors of eco labelling schemes in market environment instead of in the schemes themselves. For example Charles Berkow, ex Chairman of Friends of the Earth states that there are three necessary conditions for successful eco labels. Firstly, "There has to be a widespread awareness and agreement in society - among consumers - that

- environmental problems are serious
- consumers *can* contribute to the solution of environmental problems
- consumers *should* contribute to the solution of environmental problems

and "That is where eco labels come in, as an aid to consumers in fulfilling their role - and their wishes."

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⁴ OECD (1991), Environmental Labelling in OECD countries. The Organisation for Economic Cooperation and Development. France

⁵ Global Ecolabelling Network, see: http://www.gen.gr.jp/members.html, accessed on 11.08.2003

⁶ Report EUEB Presidential Stockholm Meeting 31 May – 1 June 2001

Ragnar Unge, SIS Eco-labelling, says that for eco labelling to be successful there has to be "awareness about environmental problems and the belief that one can do something about it through consumption. People have to be willing to take actions and there has to be knowledge about eco label."

I doubt that the success or failure of the eco labelling scheme is beyond its control, subject only to the external factors. In this study I shall look for success factors of eco labelling schemes in their design and organisation.

3. Types of eco labels

There are a lot of classifications of eco labels. ⁸ For example according to ISO 14020, 14021, 14024 and 14025 norms there are three types of labels:

- Type I-labelling: third party certified eco labels; this implies thirdparty certification of the product on a voluntary basis.
- Type II-labelling: encompasses environmental claims and selfdeclarations
- Type III-labelling: encompasses environmental declarations based on LCA.

We are going to investigate third party certified eco labels, although we will not fall precisely into this classification, as one of the analysed schemes (EU Energy Label) is not voluntary in its character. We shall come back to this point later.

Third party certification is the most stringent kind of labelling, where certification is undertaken by independent organisations, following pre-established guidelines set up by independent authorities, public or private. These are effective and direct ways of signalling

⁷ ibidem

⁸ for other classifications please see: Casey-McCabe N., Harris J. P. (1991). Energy Labelling: A Comparison of Exsisting Programs; Lawrence Berkeley Labolatory, Energy & Environment Division. Environmental Labeling Issues, Policies, and Practices Worldwide (1998). Pollution Prevention Division, Office of Pollution, Prevention and Toxics; U.S. Environmental Protection Agency

the environmental qualities of a product to the public⁹. Third party labelling is the most stringent and therefore most credible form of communicating with consumers.

Third party certification programs can be further be classified according to the following criteria:

Ownership	
private	Good Environmental Choice (Norway,
	Sweden)
	Green Seal (USA)
state owned	Blue Angel (Germany)
	Stichting Milieukeur (The
	Netherlands)
	• Eco- Flower (the UE)
	Environmental Choice (Canada)

Scope	
for one product category	Marine Stewardship Council (UK)
	• Soil Federation (UK)
for many product categories	Blue Angel (Germany)
	• Eco- Flower (the UE)
for one attribute	EU Energy Label
	• Green Dot (Germany)
	• Energy Star (USA)

⁹ Lesourd J.B., Schilizzi S.G. M. (2001). The Environment in Corporate Management. New Directions and Economic Insights, Glos: Edward Elgar Publishing Limited

Design	
Graded	EU Energy Label
Not graded	• Green Dot (Germany)
	• Energy Star (USA)
	Blue Angel (Germany)
	Forest Stewardship Council

3.1 Ownership

Public ownership of the label means that the government instead of (or in addition to) introducing environmental protection laws, prepares an eco labelling program. This program can be either voluntary or mandatory. A voluntary program means that companies in a given sector can but do not have to take part. In the case of a mandatory labelling program, industry must label its products based on the established criteria.

The main difference between private and publicly run schemes is that in public programs governments may use their power to encourage eco labelling because the threat of new stringent environmental regulation raises a potential cost for the firms¹⁰. If government decided to implement any regulation then all firms would have to bear the costs of complying with the new environmental standards. In turn firms may hope to reduce this cost by negotiating a minimal standard within the eco labelling process instead of having to comply with a regulation on product quality.

In contrast to new law, the eco label may be advertised to consumers and may increase their willingness to pay for the product. Firms may therefore recover their eco label compliance cost through an increase in the product's final demand. If the threat of introducing a new law is potentially high, companies will be more willing to negotiate on eco label criteria. (Another important element that influences this willingness to negotiate with

¹⁰ Nadai A. (1999). Conditions for the Development of a Product Ecolabel, *European Environment*9 (5). European Research Press. 202-211

¹¹ ibidem

government is the final demand for labelled products). Among analysed labels the EU Energy Label is an example of a publicly owned program.

On the other hand eco-labelling bodies may be privately owned. In such cases, selecting the product category, developing the criteria and all the other aspects of running the scheme are free from involvement by politicians. Experience shows that environmental NGOs usually have a greater impact on such programs, as they play a role similar to that of ministry for the environment in obligatory schemes. Among analysed labels the FSC label is a clear example of a privately owned program,

3.2 Scope

The scope of an eco label can vary dramatically – from certifying one attribute to having criteria designed for many product groups.

Ecolabels that concentrate on one attribute are easier to design. There is only one criterion according to which products are judged to be more or less environmentally friendly. This could be for example energy efficiency certification, water efficiency, or stating that the packaging is made of recycled content or can be recycled. EU Energy Label is a one-category label, its scope is only the energy efficiency of a given product in its usage phase.

Eco label schemes that certify one or many product categories usually set several criteria. They work to identify the environmental friendliness of products on a 'cradle-to grave' approach. They adopt a holistic approach to confirm products' total environmental recognition. The labelling process for product category has to be based on life cycle analysis as otherwise it could be undermined if it allowed products to be certified that are cleaner only in one stage of the life cycle but pollute more than similar products in other stages¹².

Morris (1997) describes an ideal eco labelling program for a product category. An ideal eco labelling for a product category would proceed through 4 stages¹³:

¹³ Morris J. (1997). Green goods? Consumers, product labels and the environment, IEA (the Institute of Economic Affairs, London) *Studies on the Environment* 8

¹² Davis G.A. (1997). How green the label? Forum for Applied and Public Policy 12 (1). 137-140

- Experts' selection of product categories for which eco labels would make the most significant improvements to the environment. This would allow consumers to make the biggest impact with their 'green' shopping.
- 2. Objective, scientific evaluation and selection of criteria, based on a product life-cycle analysis (PLCA). The holistic approach.
- 3. Evaluation of the products. The best products would be awarded the label.
- 4. Constant revision of the criteria used for evaluating the products.

 Taking into consideration improvements in technology. Providing a constant encouragement for companies to improve their products' performance. Like in a Nordic Swan program "New revised criteria are presented at least 1 year prior to the expiry date. During the period of validity minor corrections may be adopted." ¹⁴

Basing criteria on LCA seems to be very logical, however the execution of it is difficult, complicated and very judgmental. Even deciding on a definition for a product category is a difficult task as usually producers try to differentiate products and not make them into perfect substitutes. Are water-based paints the same as solvent-based paints? Should refrigerators be put in one category as freezers? It is not possible to differentiate product category or product selection criteria objectively, and from that point on it only gets more complicated. It always has to be one person's subjective assessment at some point. Various parties may want to influence the eco label schemes, as they may be affected by them and so they have an incentive to do so. We shall come back to this when we analyse Blue Angel and EU Eco Label, both of which have criteria based on PLCA.

3.3 Design

designed to inform customers about a product's energy performance, usually in the form of

Graded labels are available and only make sense when using with one product

attribute - such as energy, water or other resource consumption. Energy efficiency labels are

¹⁴ Nordic Ecolabelling. Ecolabelling of Rechargeable batteries and battery chargers Version 3.1; 17
December 2002 – 14 September 2007

energy use, efficiency, and/or cost. Labels can be used on most energy-using products the way fuel efficiency (kilometres per litre) rating works on cars.

Energy efficiency labels allow consumers to make informed choices, their design can differ and they can either be:

- non graded (endorsement) labels
- graded labels (comparison labels).

Non graded labels (endorsement labels) usually offer a formal "seal of approval." The Energy Star label is a perfect example of such a label. It mentions no energy performance data on the label, but states that the product has superior energy performance.

Graded labels provide a basis for comparison-shopping. The products can be ranked using number, scales, stars, or shaded bars. The EU Energy Label is an example of the categorical label. Products are classified on a scale from A to G (usually).

4. Analysed labels

For this paper I have analysed four labels: Blue Angel, EU Eco label (eco-flower), EU Energy Label and Forest Stewardship Council Label. They can be classified using the criteria as follows:

Ownership	
private	Forest Stewardship Council
state owned	Blue Angel (Germany)
	EU Eco Label
	EU Energy Label

Scope	
for one product category	Forest Stewardship Council

for many product categories	Blue Angel (Germany)
	EU Eco Label
for one attribute	EU Energy Label

Design	
graded	EU Energy Label
non graded	EU Eco Label
	Blue Angel
	Forest Stewardship Council

Therefore, among analysed labels all of the qualities listed above are represented.

5. Success or failure

The analysed labels differ a lot, hence it is difficult to determine on one scale whether they are success stories or failures. Success should be measured against set objectives and goals but in the case of labels these goals are of a qualitative nature:

The aim of FSC is to "support environmentally appropriate, socially beneficial, and economically viable management of the world's forests" 15 The statutes of FSC list 7 goals of the organisation.¹⁶

The EU Eco Label aim is "for the Flower to be recognised as Europe's premier award for products which are a genuinely better choice for the environment, helping manufacturers, retailers and service providers to get recognition for good standards, and purchasers to make reliable choices."17

¹⁶ Statutes of FSC, Revised, August 2000, November 2002

¹⁷ http://europa.eu.int/comm/environment/ecolabel/pdf/eueb/missionstatement 140203.pdf, accessed on 12.07.2003

¹⁵ http://www.fscoax.org/principal.htm, accessed on 26.07.2003

"Blue Angel promotes the concerns of both environmental protection and consumer protection" 18

One cannot possibly compare these labels on one single scale so we must look for other ways of judging success. Müller lists three goals that a successfully functioning labelling program has to reach¹⁹:

- To be informative for, and easily understood by, consumers.
- To reduce product-related environmental pollution through innovation and diffusion of environmentally improved products.
- To provide sufficient economic incentive to manufacturers to respond to the program.

I would slightly alter the criteria: rather than looking to see if the label is easily understood by consumers and whether it provides an incentive to manufacturers, I would analyse the label to find out whether it has managed to become popular on the market, and what the market penetration of the label is. Currently, there are a large number of eco labelling schemes operating within the EU and there must be reasons why producers and consumers prefer some of them to others. Reasons, can make some labels to grow and gain many certified products, while others continue to strive to get producers interested in obtaining the label.

Market penetration seems to be a good criterion for a further reason – because simply knowing about the product does not mean that one would like to purchase it. Therefore, for example, knowledge about the label or number of product categories does not seem to be a good indicator of success. Meanwhile market penetration means that consumers not only know about the label but are also willing to buy it, which is proved by the fact that the retailers stock labelled products.

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¹⁸ http://www.blauer-engel.de/englisch/navigation/body blauer engel.htm , accessed on 12.07.2003

¹⁹ Müller E. (2002). Environmental Labelling, Innovation and the Toolbox of Environmental Policy Lessons Learned from the German Blue Angel Program, article obtained from Blue Angel web page

Using penetration or popularity of labelled products might also seem to be an incorrect indicator of success. This is due to the fact that too many labelled products may imply that the label's criteria are not stringent enough, allowing for a certification of too many products. Non-demanding criteria may be attractive in the short term but eventually the labels with relaxed criteria should fail. Therefore, I am going to add stringency of the criteria as another indicator of success. I will come back to this.

Of course each of the labels aim to have a positive impact on the environment. However, it is impossible to assess the program's impact on the environment, as there are so many other issues and factors that have to be considered²⁰. For example the effects of labels can include not only promotion of innovation but also raising awareness or simply adding credibility to producer's claims. To simplify this criterion we shall assume here, that if label is present on many certified products and criteria are becoming increasingly stringent then the label should have a positive impact, either on the environment or on people's attitudes and knowledge.

Therefore, the criteria we are going to use in this paper to assess failure or success of the labels are as follows:

Market penetration and demand for label— means that the label is visible and recognised by customers. Looking from the perspective of an institution trying to set up a labelling program, we can treat the label as a product, a very specific one, but still a product that is regulated by the market — i.e. subject to the game of demand and supply. Demand for labels from producers, which echoes demand for labelled products from consumers. Supply is what the labelling organisation/institution offers.

Scoring:

Blue Angel scores high as there are over 3.800 certified products and services. Which makes it probably the most popular label in the world.

In the case of the EU Eco Label over 10 years, there are very few certified products. The supply is much greater than demand, whereas in most

 $^{^{\}rm 20}$ OECD (1997). Eco-Labelling: Actual Effects Of Selected Programmes

categories, even if companies do fulfil the criteria they do not wish to apply for the label.

In the case of EU Energy Label I will not take into account the number of labelled products (as it should be all the products since the label is mandatory) but the number of products certified with the highest grading (A and B). Indeed, ever since the label was introduced, the number of energy efficient products (scoring A or B) has increased massively. EU Energy Label should also get points for quick incorporation of the EU directive into EU member states' laws and even into associated countries' laws²¹ which means that the label has some strong support. In addition, there are examples when the industry has introduced the label even before its formal incorporation into law.

As for FSC it remains the most popular wood product certification in the world,, endorsed by major environmental organisations (such as WWF, UNEP) and demand for certified wood exceeds supply. For example, buyers were so eager to purchase certified wood that in Poland they covered the costs of first forest certification.²²

Stringent criteria – it could seem that high market penetration means that the label criteria are too low and too many companies could obtain the label. However, low criteria would also discourage application for the label, as competitors could easily copy that same move. Labelling criteria should allow for certification of a few companies/ products only. The label should be exclusive, selective. And if labels are to achieve their aim of encouraging products' improvement, their criteria should be revised and made more stringent when applicable.

²¹ Dasek M. (1999), Introduction and implementation of legislation concering the energy efficiency labelling and standarisation ofg domestic appliances in CEEC, the documentation of the SAVE conference "For an energy efficient millennium" (8-10 November 1999, Graz/Austria)

²² e-mail communication with Andrzej Czech, Natural Systems, NEPCon/SmartWood

Scoring:

The example of Blue Angel shows that the label manages to maintain high recognition levels and at the same time the criteria are stringent enough to allow only the innovative companies to apply. Three of the programs (except for EU Energy Label) have a systematic revision of the criteria, and for Energy Label, the criteria for refrigerators have only recently been revised (after some 8 years).²³ ²⁴ However, EU Eco Label has also got ranked law, because the criteria are designed so that they are possible to achieve about 20-30% of the products that are put on the market²⁵.

	Blue Angel	EU Eco	Energy	FSC
		label	Label	Label
market penetration	+++	+	+++	++
stringent criteria	+++	++	++	+++
End Mark	success	failure	success	success

Scoring: +++ - high; ++ - average; +-low

6. Scope of analysis

I have looked into each type of label: private and public, various categories and one product attribute, graded and non-graded. Although I have analysed only four labels, it is clear that this classification does not explain the reasons why some labels fail. Eco labelling programs may make different uses of their characteristics and follow different strategies, still none of the above mentioned qualities prevents them from being successful. Of course, further and detailed research could be pursued assess whether any of these categories are more likely to succeed than others.

²³ e-mail communication with Jane Lee, Market Transformation Programme (UK), Wet Sector Manager

²⁴ COMMISSION DIRECTIVE 2003/66/EC; Of 3 July 2003 Amending Directive 94/2/EC Implementing Council Directive 92/75/EEC With Regard To Energy Labelling Of Household Electric Refrigerators, Freezers And Their Combinations

²⁵ e-mail communication with Kerstin Sahlen, Swedish Competent Body, SIS Miljömärkning AB / SIS Ecolabelling.

Descriptions of the analysed labels will not be presented here, however please refer to web pages and other sources listed in the references at the end of this paper.

In addition to of analysing the above listed qualities I am also aiming to discover a common denominator for all these labels in order to analyse them using the following headings below:

- Who initiates the establishment of the label was it a top down (i.e. a governments decision), or bottom up initiative
- Who initiates the product category
- Who draws up the criteria
- Who negotiates the criteria
- How are the criteria set (i.e. majority voting or other)
- How often are the criteria revised
- How is the scheme financed
- What are the fees (i.e. are they high, low, are there any discounts for small and medium enterprises (SME)
- Relations with groups such as greens, consumers, industry
- How is the compliance checked
- The role of public procurement in the scheme
- Marketing and PR

Being a marketing graduate I have anticipated marketing and PR activities to be, in fact, the one and only criterion for success. However, in the course of analysis I had to admit that, though there were no cases of heavily publicised and unsuccessful labels, there are cases of labels that do not get very much paid publicity or media attention and still make it through successfully, meaning that promotion is not the key.

In the course of my research I have found that all the successful labels had some characteristics in common, that were not present in the case of EU Eco Label (the only analysed unsuccessful label). The main difference seems to be the involvement of interested

parties. Or as we should call them - stakeholders - those who have stakes or are interested in the scheme, labelling or in buying certified products.

7. Success factors

Analysing the four labels, there seem to be different success factors for voluntary and obligatory labels. Due to my having looked into only one obligatory label, it is extremely difficult to elaborate too much on the success factors in obligatory schemes. Still, it is obvious that the obligatory character of the program influences the success factors of such a scheme. In this section I will attempt to show the success factors for the voluntary schemes, based on the analysed three voluntary labels. Where applicable, I will show that the successful obligatory scheme also shares some qualities with successful voluntary programs.

Surprisingly, the fact that it was initiated by industry, other groups such aslike greens (I will now refrain from describing them as stakeholders) or politicians, does not seem to influence its future success. Blue Angel and EU Energy Label were politicians' initiatives and as one can see from my analysis in the above few sections, both can be considered success stories. On the other hand, some labels, for example the FSC label, were created from the 'bottom up':

FSC was created by people interested in buying certified wood. It was established in response to demand from retailers for a credible independent labelling system that would identify timber and wood products from well managed forests. Retailers (such as British DIY retailer B&Q) had suffered badly in the 1980's from suppliers putting unsubstantiated claims on products that were then exposed by environmental activists. The retailers legitimately wanted to buy products from well managed forests only and they needed a system to allow them to do this. Therefore it is logical that as there was such demand from retailers in the UK for a credible labelling system that they have 'brought in' to it once it was established.²⁶

Although it is not necessary that the interested parties create the program, their involvement in the operating of the label seems indispensable. I would like to elaborate on

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²⁶ e-mail communication with Amy Mulkern, Senior Information Officer, Forest Stewardship Council UK Working Group

this, and focus briefly on the most important roles that the interested parties have to play in the scheme:

• Initiative to develop criteria.

Ideally Blue Angel works under a system whereby it is innovative companies' initiative to draw up the criteria, as they themselves see a benefit in obtaining eco label. Anyone can initiate a new product category for Blue Angel: industry or environmental protection agencies. Most of the proposals, however, come from businesses looking to gain competitive advantage or an administrative body looking to promote or encourage investment in new technology. ²⁷ Some studies suggest that in the past there were some 150-product categories proposed each year; typically, only six were selected as suitable product categories for the eco label.²⁸ Still, in the last few years approximately 40-50 official suggestions have been made by industry per year. (Apart from that there is a countless number of suggestions from industry as to how they could use Blue Angel to promote their products.²⁹) Proposals must comprise an explanation for the Federal Environmental Agency (FEA) on why and how the environmental quality of the proposed product category shows advantages compared to other products serving the same purpose. These suggestions are normally approved by the FEA, which states its position (i.e. whether or not this product group should be introduced within the Blue Angel scheme), to the national eco labelling board (Jury Umweltzeichen) for approval. What seems important and encouraging is that the proposals are processed free of charge.³⁰

²⁷ Müller E. ibidem

²⁸ US Environmental Protection Agency (1998). Environmental Labeling: Issues, Policies, and Practices Worldwide,

²⁹ e-mail communication with Christian Löwe; Federal Environmental Agency of Germany

³⁰ Information Sheet for Submission of New Proposals for the "Blue Angel" Environmental Label (2001)

In the case of FSC, when we mention development of the criteria, we mean the development of national and local standards that implement the international Principles and Criteria of Forest Stewardship at the local level. These standards are developed by national and regional working groups, which work to achieve consensus amongst the wide range of people and organisations involved in forest management and conservation in each part of the world.³¹. As required, committees, workshops and technical committees representing a variety of membership interests are established. The setting of national forest management standards is a broad consultation exercise. Although majority voting is enough³², so far, for example, FSC UK always strives to work by consensus and all who have an interest in forestry in the country are invited to take part in the discussions.³³

In the case of EU Energy Label we can see that industry comes with initiatives to introduce new grading systems that would benefit more energy efficient products³⁴. Of course this can be done for several reasons other than looking for marketing gain. Still, there is evidence that producers are actively interested in the scheme.

On the other hand, when the EU Eco Label initiates a new product category, the process becomes lengthy and bureaucratic. What is clear is that the producers' interests are not a priority, nor are the criteria designed to give them a competitive advantage. In the past the initiative in practice has differed, some were from the Competent Bodies, others from the

³¹ http://www.fscoax.org/principal.htm , accessed on 22.07.2003 also e-mail communication with Amy Mulkern, Senior Information Officer, Forest Stewardship Council UK Working Group

³² FSC is comprised of three chambers: environmental, social and economic, with each having 33,3% of voting power

³³ e-mail communication with Amy Mulkern, Senior Information Officer, Forest Stewardship Council UK Working Group

³⁴ Draft minutes of: Committee On The Indication By Labelling And Standard Product Information On The Consumption Of Energy And Other Resources By Household Appliances. Brussels, 31 March 2003

industry or from other stakeholders. All proposals have been collected and evaluated. The final decision to start the development of criteria for a new product group is taken by the Commission (the Ecolabelling unit), where there is a consultation with the Competent Bodies and interest groups. Currently there is an ongoing project, chaired by the UK Competent Body, to find a way to evaluate the importance and possible future success of proposed product group categories.³⁵

However, once again, giving a forerunner company an edge is not the main criterion. The criteria used for choosing the product group includes³⁶:

- Chance of success at European level
- Not too controversial
- Something consumers see every day
- EU wide extension is not a problem
- Criteria that are not too complicated
- It should be in the prioritisation list

• Stakeholders are present in the process of negotiating and developing the criteria

In theory, for all analysed labels groups and interested parties can negotiate and try to influence the process of criteria setting. However, as experience shows in case of the EU Eco Label, the interested industry's participation is least likely. Also, because of the established procedure that is basking the criteria on 'Life Cycle Analysis' before establishing the criteria itself, a vast amount of market information is needed³⁷, of which the industry is not willing to disclose.

³⁷ Official Journal of the European Communities No C 203/20, Open procedure.

³⁵ e-mail communication with Kerstin Sahlen, Swedish Competent Body, SIS Miljömärkning AB / SIS Ecolabelling

³⁶ Minutes of the Meeting of the Co-operation and Co-ordination Management Group; 5 February 2003

In Blue Angel it would be usual for the company who initiates the criteria setting process to suggest what criteria could be taken into account. In FSC, all those interested are welcome to participate at the phase of drawing up the criteria. In Energy Label, industry was needed to provide data to set the criteria and they are actively present in attempting to influence any changes in the scheme.

• Criteria should ideally be set by all stakeholders

Blue Angel is an independent jury that decides on the criteria - the Environmental Label Jury. It comprises of 14 members with voting rights. 12 experts represent science, industry and trade, unions, consumers, environmental associations, the churches, municipalities and the media. The Jury decides by a majority vote and is not obliged to follow the results of the hearings.

In the case of FSC, the power to decide is left to interested parties. The General Assembly is made up of three chambers: social, environmental and economic. The purpose of the chamber structure is to maintain the balance of voting power between different interests without having to limit the number of members. The first chamber is made up of social and indigenous organisations and assigned individuals. The second chamber is made up of environmental organisations and assigned individuals. The third chamber is made up of individuals and organisations with an economic interest in the forest product trade. All chambers have an equal 33.3% of the voting power in the General Assembly. 38

In terms of EU Eco Label and EU Energy Label, the decisions are made by politicians. However, for EU Energy Label, the industry seems to be much more involved in the development of the criteria and therefore has more time (and thus inputs more effort) to persuade the committee

³⁸ Forest Stewardship Council A.C. By-Laws; Ratified, September 1994; Editorial Revision, October 1996; Revised February 1999, August 2000, November 2002

composed of representatives of the member states³⁹ before they take their votes. The very idea and structure of EU Energy Label means that politicians and companies are the two parties most interested in setting standards and thus negotiations are between these two groups and in a form of bargaining. Consumers are absent from the labelling scheme until the very moment of making purchasing decisions - they did not request it, nor did any consumer associations try to influence the criteria.

On the other hand, the structure of EU Eco Label implies that if any interested party (for example greens, consumers or industry) would like to achieve its aims, it should negotiate and put pressure on Competent Bodies (politicians) rather than talk to other interested parties. This is because it usually makes more sense to influence the decisions makers themselves rather than try to persuade other interested parties.

• Responsibility and leadership in popularising the label should be clearly set

Although this needs further research it seems that it is not the amount of money but the clearly set responsibility which allows the visibility of the label. For example, in Blue Angel there is a small promotional fund, called "Advertising Fund" (it collects between EURO 35,79 and EURO 407,00 annually from each company).

The Federal Environmental Agency and RAL decide together the use of the fund. 40

In case of the FSC there is such a strong support from retailers and NGOs that not much publicity is needed, although, National Initiatives are

³⁹ COUNCIL DIRECTIVE 92/75/EEC of 22 September 1992 on the indication by labeling and standard product information of the consumption of energy and other resources by household appliances

 $^{^{40}}$ www.blauer-engel.de , accessed on 12.07.2003

created with one of thee aims being to promote the FSC among different parties.

In case of the EU Eco Label the promotion of the scheme is "the responsibility for all participating parties" ⁴¹. In practise it is in hands of national Competent Bodies rather than any other organisations, meaning that politicians and not stakeholders benefit from the scheme.

• Criteria setting should be set by all stakeholders in the form of a consensus.

It may not be possible to achieve consensus each time, but even simple logic suggests that if everyone agrees, more engagement can be expected. Among the four, FSC tries to achieve consensus between the involved parties when possible.

The above major points are guaranteed to bring about some other identified success factors, shown below. I describe them separately, as they can also be present in schemes that do not allow for active participation of industry, consumers and environmentalists in the scheme. However, in such a case they are less likely to be present. It is better if stakeholders are actively involved in shaping and designing the eco labelling program as they are then in a position to change the labelling scheme to address their needs and can reshape it while the program is operating. An example from FSC illustrates this well: where the voting rights of the economic chamber have in the past been increased from 25% to 33.3%

• Criteria should be strict but not too stringent

Producers should be able to meet the criteria without investments that would be higher than the overall benefits of obtaining the label. At the

⁴¹ e-mail communication with Kerstin Sahlen, Swedish Competent Body, SIS Miljömärkning AB / SIS Ecolabelling

same time the criteria should not be too loose – if one label is seen as inferior to the others, this does it no good in terms of Public Relations because the label loses its credibility. From a business perspective, each investment has to pay off, so a company would normally be willing to apply for and use an eco label if it predicts positive outcomes. Consumers are becoming more environmentally aware (i.e. 'greener'), but there are different types, or rather, shades of 'green'. While some may be willing to pay a premium and buy only 'green' products, others may acknowledge and appreciate higher environmental standards but may not necessarily want to pay for them, unless there is something in it for them. From a retailers' perspective, they may be interested in stocking products that offer higher margins and are fast moving, which means a high turnover. However, they are not interested in small market segment/ niche products, and particularly not major supermarket chains.

We can say that the stringency of the criteria is limited. Consumers set the upper limit - by what they want and are willing to pay for and the investments it means for the company. The lower limit is set by a requirement that states that the label has to be selective and yet still offer an edge to certified companies. Of course setting the criteria is not a one-scale exercise. There can be trade-offs between different factors. For example, in the case of computers, we can discuss (among others) about: the energy efficiency of the product while working, energy consumption in a stand-by mode, packaging that is made of recycled paper of the package and also take-back policy. Again, the right or optimal level of criteria can be established if all the interested parties are involved in setting them.

• Criteria should include issues that are important to customers.

While Blue Angel is now basing criteria on LCA, it started and gained popularity concentrating on usage phase of the products' life cycle. Consumers understand this particular part of products' lives and are more

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⁴² Ottman J.A.(1999). Will The Consumer Pay A Premium For Green? *InBusiness* 7/8

likely to see the benefits, while the production stage may still be too distant for them. People understand energy efficiency, low noise, recycled paper but not emissions in the production phase. Making the criteria easier to understand would widen the scope of the labels' appeal. Here again, the involvement of customer representatives in the labelling scheme ensures that the emphasis is put on the issues important for customers. After all, using voluntary labelling schemes means that the decisions and responsibility for caring for the environment is in the hands of the consumers.

on the environment is not the main criterion for choosing 'green' products. A survey conducted in American 'green' shops in 1995 showed that best sellers included clothing, accessories and recycled paper products. Previously the best-seller products were made of recycled paper. 43 Consumers have their own ideas and preferences (together with a non perfect knowledge) which changes with time and are much more important for companies than experts' statements. The more criteria reflect their concerns the more willing they will be to look for the labelled products. And by learning about and responding to consumers' concerns, certified companies can better satisfy their customers.

We can argue here that companies 'green' their actions for customers and not for the environment as such, thus concentrating on issues important for customers, that would allow them to meet their needs better and without unnecessary use of resources. We shall return to this.

• Criteria are developed for producers to give them a competitive edge, not to make them change their actions.

One should not expect that companies are going to change their whole strategies to follow label criteria set by environmental experts. Innovative

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⁴³ Riggle D. (1995). Green retailers get the message, *In Business* 17 (5).34-38

companies have some ideas as to how they want to target 'green' consumers, and therefore labels should be used to help them in achieving market success. Label should therefore be designed to act as a tool for companies and other stakeholders and not as a goal in itself. Labels can be a tool for communicating, a tool for understanding each other needs and expectations and helping to meet those expectations. As such innovative companies should be more actively involved in the process and should possibly have some power in changing and negotiating those processes. This can be illustrated by an example from the German Blue Angel program: this program was launched only when the Federal Environmental Agency looked for experts from interested forerunner companies and manufacturers. Their involvement also brought experts from other companies. Therefore the economic interests of industry were no longer represented as a monolithic block.⁴⁴

• Retailers' support is important.

In the example of EU Energy Label there were workshops and courses to train retailers about the energy label and benefits of energy efficiency, which as the results show have improved the label's effectiveness⁴⁵. At the same time energy efficient models were more expensive and therefore offered higher profit margins to retailers.

With Blue Angel, the ministry took a long amount of time to award the shops and turn it into a PR event, in order to help labelled products fight for room on retailers' shelves.

FSC is supported and endorsed by all major retailers of DIY in the UK. B&Q were trying to have this single label on all of its products.⁴⁶

⁴⁴ Müller E. (2002). Ibidem

⁴⁵ The introduction and implementation of legislation concerning the energy efficiency labeling and standardisation of large household appliances in the Czech Republic and Poland. SEVEn(2001); project financed by the EU, used with permission.

⁴⁶ Revised Timber Buying Policy for B&Q; Beyond 2000

The amount of time to draw criteria cannot be too long, as new and more advanced products could be introduced into the market.

Timeliness is one of the critical factors in the communication and preserving of good relations with stakeholders⁴⁷. The longer the time taken to prepare the criteria may create a long-term benefit to the environment but it also proves that communication between parties involved in the creation of the criteria is non-existent.

A poor example is one from the EU Eco Label whereby the drawing up of criteria can take any amount of time, from one and a half-years up to nine years. Such a long preparation time shows that the criteria may be very scientific but does not address the current needs of players such as innovative companies, consumers or environmentalists. No innovative company is going to wait that long to have the criteria designed to for them. In business, time is money and labelling programs should respect that if they want to be seen as professional partners in their relations with businesses.

• Label should be cheap and accessible for companies.

As in most cases, labels offer a competitive advantage only in communication to some sections of consumers and therefore not all of them should pay for it.

Three successful programs do fulfil this condition. The Energy Label does not put any costs on the manufacturers apart from providing the label itself (sticker). The FSC label is accessible also for smaller entities as the price of certification varies according to the geographical location of the

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⁴⁷ Strong K, Ringer R, Taylor S (2001). THE* Rules of Stakeholder Satisfaction (* Timeliness, Honesty, Empathy). *Journal of Business Ethics* 32.219–230

⁴⁸ e-mail communication with Kerstin Sahlen, Swedish Competent Body, SIS Miljömärkning AB / SIS Ecolabelling

forest (certification is cheaper in poorer countries) and its size. Blue Angel offers free application, cheaper tests and it is also less expensive than the significantly less famous EU Eco Label.

• Openness towards foreign companies

In some cases Blue Angel had to turn to foreign companies to have first products certified. The ability to crack the industry lobby when necessary is very important – industries should speak in many competing voices. In the case of the failing EU Eco Label, industry is usually represented by major producers' organisations.

• Support and credibility from environmentalists.

Environmentalists add credibility to the label. Although Blue Angel had some problems, the greens are still in the board, and FSC is endorsed by UNEP, WWF among many others. Energy efficiency seems obvious to most, while in contrast the EU Eco Label was only mentioned by Greenpeace once. Additionally, other major environmental NGO's made no other mention of the Flower. Thus the label is "on its own" as far as creating credibility is concerned.

Another factor aiding the success of a label is whether it helps certified products win public tenders:

• Public procurement.

Some issues are more important than others when public tenders are concerned. For example using sustainable harvested wood may be in line with Local Agenda 21 and is easily understood by decision makers. Also the FSC is there to help public purchasers define this policy, and advise them on wood etcetera.

Once Blue Angel became more popular, the German government also began to take the environment into consideration while making public orders. Since Blue Angel was the only label available in the market at that time it was encouraged per se to use it in order to win public contracts. Therefore understanding the expectations of public purchasers, who in fact can be seen as another stakeholder group, can help the label succeed.

Now let us look again at the obligatory EU Energy Label. It has managed to shift production to energy efficient products. Yet, the way the Energy Label is designed, the fact that it is mandatory, encourages companies who fear that if they do not support the program the regulator may decide to enforce minimum efficiency standards.⁴⁹ Still, it does not fully explain the success of the label, although its mandatory character suggests that the emphasis on success factors changes.

Stakeholders' involvement is much more limited than in the case of other analysed successful labels. There seem to be two major stakeholders in this labelling program - the authorities and industry. And although industry is not involved in criteria setting (voting), it is actively present in the criteria designing, providing expert knowledge and data. Even with this limited stakeholder involvement EU Energy Label has another identified success factor – i.e. it responds to one of the consumers' concerns, although consumers do care about the efficiency for economic and not just charitable reasons. The label has also been supported by retailers (although only after appropriate training) as more efficient models were increasingly expensive, meaning higher premiums. In this program there is also one more factor that seems to be important and that is the extremely clear and understandable design of the label, which grades the available models. As is proven by research, even consumers without prior knowledge of the label and without advice from sales people tend to understand the label and make purchasing decisions that are influenced by it.⁵⁰

Overall stakeholders' involvement in the scheme seems to be the key success factor. In summarising the points listed above, we can outline the four most important stages that

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⁴⁹ e-mail communication with Paolo Bertoldi, UE, DG Tren

⁵⁰ Boardman B.(1997). Cold Labelling - the UK Experience of Energy Labels. Environmental Change Unit, University of Oxford; ECEEE Summer Study Proceedings

stakeholders should be involved in for the label to gain some ground in the market. The table below illustrates the stakeholders' involvement in each of the programs.

	Blue Angel	EU Eco Label	EU Energy	FSC
			Label	
new product	+		+/- (*)	+
category initiative				
negotiate criteria	+	+/-	+	+
voting power	+			+
responsibility to	+/-		+/-	+
promote the label				

^(*) the industry can and does suggest a revision of the criteria and changing of the grading system

8. Conclusions

Why is stakeholders' involvement the key to successful labelling program? There are two possible explanations. One uses a strong stakeholder view, which states that each stakeholder has a legitimate claim on management attention and the management's job is to balance stakeholder demands. Using this approach the eco labelling scheme is simply a way for putting stakeholder theory into practice and letting stakeholders, to some extent, govern the company. The literature on stakeholders' theory is growing and increasingly more companies take into account stakeholders' expectations in their operations and while designing their strategy⁵¹. One can expect that especially the innovative, forerunner companies similar to those that decide to be sustainable and 'green' their actions, could be the ones who are more likely to allow stakeholders to exercise their power. We could imagine an eco labelling jury deciding upon product criteria and composed of representatives of different stakeholder groups - something similar to a Stakeholder Board of Directors as mentioned by

⁵¹ Dawkins J., Lewis S.(2003). CSR in Stakeholders Expectations: And Their Implication for Company Strategy. *Journal of Business Etics*, 44.185-193

Evan and Freeman (1993).⁵² In an eco labelling board or jury, the environment is represented by NGOs, ⁵³ (although there are doubts about whether NGOs can in fact represent the interests of the natural environment).

A second explanation can be provided using a weaker approach to stakeholder theory. One that puts the customer in the centre and where satisfying stakeholders is seen as positive only because it enables the business to satisfy its primary purpose: the long-term growth in owner wealth. In the jury, where all three groups are present, the 'greens' demands meet with those of the consumers who, after all, have to pay extra for any demands they support and turn into criteria. Most authors present the eco label as a means of communicating with consumers and increasing the credibility of producers' claims ⁵⁴, ⁵⁵, ⁵⁶. But what they actually mean is that the label is a way of communicating **to** the consumer. Only labels that allow businesses and consumers to make decisions, to arrive at the criteria together, fulfil the aim of communicating **with** the consumer.

And there is indeed a growing need to communicate with consumers. Experience shows that consumers' interest and care for the environment has not so far been translated into purchasing behaviour and in fact, there was something of a backlash, which made firms more careful and conscious while incorporating 'green' marketing strategies.^{57,58}. Authors stress the

⁵² Evan W.W., Freeman R. E.(1993). A Stakeholder Theory of the Modern Corporation: Kantian Capitalism, in: Chryssides G.D, Kaler J.H: An Introduction to Business Ethics, International Thomson Business Press

⁵³ Phillips R. A, Reichart J.(2000). The Environment as a Stakeholder? A Fairness Based Approach. *Journal of Business Ethics*23.185-197

⁵⁴ Lesourd J.B., Schilizzi S.G. M. (2001). The Environment in Corporate Management. New Directions and Economic Insights, Glos: Edward Elgar Publishing Limited

⁵⁵ Kusz J.P.(1997). Ecolabels investments: what's behind the label. *Forum for Applied and Public Policy* 12 (1) .132-136

⁵⁶ Ottman J. A. (1997). Consider Eco-Labels. J. Ottman Consulting Inc.

⁵⁷ Crane A..(2000). Facing the Backlash: green marketing and strategic reorientation in the 1990s. *Journal of Strategic Marketing* 8..277-296

⁵⁸ Mendelson N., Polonsky M. J.(1995)Using strategic alliances to develop credible green marketing. *The Journal of Consumer Marketing* 12(4). 4-29.

need to involve stakeholders in designing environmental marketing strategy^{59,60} or while designing 'green' products⁶¹. Although labelling programs cannot fill the gap for information that can only be obtained from market research, they do offer a chance to talk **with** the stakeholders groups.

Companies that operate only in the 'green' niche know their environmentally aware consumers far better, as it is their only target market. However, bigger corporations, which are "greening" their actions may need more coaching and probably prefer to have more influence on the whole (new for them) process. Active involvement of environmental organisations adds credibility to the program and consumers' participation allows companies to develop strategies that better address their concerns. Therefore firms are more inclined to choose a program that not only adds credibility to their claims, but one that offers them a real competitive advantage whilst at the same time understanding the ways businesses operate. These criteria are more likely to be fulfilled by a labelling program that allows for active participation of all interested parties.

9. Recommendations

The first and most important recommendation is to include relevant stakeholders in the project: a regional label for the product of Barycz Valley. Currently (October 2003) the most involved stakeholders working on this project are environmentalists. However, producers and local authorities are also expressing need for the label. Producers see it as a potential promotional aid whilst at the same time as a means of protection from dishonest producers who lower standards and spoil the local brand. Local authorities hope by that establishing a label they will also promote the region in terms of agro-tourism, which could be helpful when it comes to additional income for farmers.

Two main areas of concern are:

lack of representatives of consumers

⁵⁹ PolonskyM.J.(1995). A stakeholer theory approach to designing environmental marketing stratey.

The Journal of Business & Industral Marketing 10(3) . 29-47

⁶⁰ Mendelson N., Polonsky M.J.(1995) ibidem

⁶¹ Polonsky M. J., Rosenberger III Ph.J., Ottman J.(1998). Developing green products: Learning from stakeholders. *Asia Pacific Journal of Marketing and Logistics* 10 (1).22-44.

division of competence and power in the running of the scheme

Finding appropriate representatives of consumers is easier in countries with long established consumer movements and consumer associations. However, in the Wroclaw region this does not seem to be the case. As a result, one should look for appropriate persons elsewhere. I would suggest trying to get **local opinion leaders** involved. For example a person working for a regional newspaper and/or representative of the Church. These types of people could represent consumer interests and concerns. At the same time, with a lack of consumer magazines, they would also fulfil the role of representatives of consumer associations, which would spread trust and knowledge amongst consumers. In particular, involvement of local press could be beneficial for this scheme, possibly offering free and positive publicity.

Another issue is the division of competence. In initiating and organising the label, the 'green' group may feel it "owns" the project. As the above analysis shows, if the program is to succeed, they need to let others influence the scheme, working more like consultants or facilitators. Also, the local authorities' involvement should not be excessive. Therefore, I would suggest the creation of a labelling jury, where representatives of consumers and producers would together have voting power exceeding 50%, and the rest would be divided between environmentalists and local authorities. I am aware that there is an association of local authorities in the region, so it might be possible to have just two or three people representing several gminas (local units). Local authorities, could also be responsible for protection of the label and logo. This guarding function could be rotated every year between different gminas, so that all local authorities in the region feel involved and responsible for the scheme.

Other suggestions include:

- designing criteria with local flag products to establish brand value for the label on the market
- drawing criteria for many local products, so that more producers (and therefore citizens) are involved and interested in the scheme
- using the scheme as a tool to activate local involvement for example having local children design the logo.

In conclusion there are many parties eager to work on the label in Barycz River Valley. The momentum is right. With a lack of similar projects in Poland, what is currently needed is a

knowledge of how to organise and run the scheme. Thanks to this project being financed by the EU, I am personally able to advise them on how the program could be organised and what is important whilst designing it. If all interested parties work together and design a scheme that matches their ambitions and expectations equally, the program could have great prospects for future success.

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