

# JURNAL AKADEMIK

**Labelling Phobias - New forms of  
Non-tariff barriers in international trade  
for tropical timber and wood**

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# **LABELLING PHOBIAS - NEW FORM OF NON-TARIFF BARRIERS IN INTERNATIONAL TRADE FOR TROPICALTIMBER AND WOOD**

By

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## **1.0 INTRODUCTION**

Recently, NGOs such as Green Peace, Friend of the Earth, Earthaction, World Wide Life Fund (WWF) and many others, have propagated environmental thinking and forcibly campaigned their respective legislators to label the tropical products as green and eco-friendly. In the US, the American Soybean Association (ASA), American Heart Savers' Association and other interest groups have lobbied the American Congress and the Food and Drug Administration (FDA) to label tropical oils and fats (palm oil, palm kernel and coconut oils) as saturated fats. Moll (1987) deliberately labelled and grouped palm oil as lauric oil although the fatty acid composition of palm oil is far from being lauric (i.e. 0.03% of lauric acid; Goh, 1991). Iran is the only country in the world that insists on labelling palm oil as "not fit for human consumption" despite the fact that more than a hundred other countries are importing and using palm oil for edible purposes. Recently, the rubber industry was again thrown into confusion after a paper was published in the US alleging that natural rubber products contain "harmful" substance which presumably could affect the health of the users. In other European countries, such as Holland and Austria, the local NGOs have demanded that tropical timber and furniture be conspicuously labelled as tropical timber for easy identification and subjected to boycott (Ahmad, 1994).

It is becoming a trend nowadays for certain NGOs which are financed indirectly by the relevant interest parties to use labelling as a protectionist tool. In some countries consumers are bombarded daily with all sorts of theories and hypotheses that tropical products are produced under conditions that are damaging to the environment. In the case of tropical timber or wood, dubious claims have been made by these groups accusing it being the products of the deforestation of rain forests. If the environmental issues are not resolved because of the

lack of transparent logic, these interest groups may deliberately use health attributes and safety standards to lobby their respective law makers to legislate the labelling of tropical products. They use stringent standards to deliberately disqualify tropical timber exports if such timber is to be labelled “green” and “eco-friendly” (Mohammad, 1994; Ahmad, 1994). Some have even smeared palm oil as deleterious to health just because it is more competitive than soybean oil (Bushena and Perloff, 1989). Such tactics are becoming phobias to the consumers (Ibrahim, 1994).

## **2.0 THE ROLES OF SOME TROPICAL EXPORTS TO NATIONAL ECONOMY OF SOME DEVELOPING COUNTRIES**

Most developing countries of the South are dependent on the exports of agricultural and forest products for their foreign exchange earnings. These products may be extracted from forest resources, partially or wholly processed into finished products or exported as raw material or as timber logs. Others are produced in large commercial viable plantations and some produced in smallholdings which supports millions of local population. Timber and wood products, rubber and palm oil are major commodities of tropical Asia, Africa and South America (de Beijar, 1991). In Asia, particularly in Malaysia, the palm oil industry supports a substantial number of workers either directly or indirectly.

Apart from providing the livelihood for 250,000 families in estates and land schemes, palm oil exports contributed RM8.5 billion to Malaysia’s foreign exchange earnings in 1994 (Durga Varma, 1995; Nordin, 1989). In the same year, the export earning from timber and wood, and forest products soared to RM12.9 billion or 8.7 per cent of the total export earnings of Malaysia (Jayakrishnan and Rao, 1995).

Solomon Islands, for example, exported US\$ 110 million worth or 640,000 cubic meters of timber in 1992. In addition, 70 per cent of the Islands’ economy depends on forest, while the remaining comes from fishing and oil palm, coconut and cocoa cultivation. In fact the forest industry has contributed much to the socio-economic development of the islands (Chong, 1994). In most countries in the Far East such as

Indonesia, Solomon Island, Malaysia, the Philippines, Vanuatu and Thailand the exports of these commodities are vital to their economic growth.

Besides, in Indonesia, Thailand and Malaysia, the rubber industry plays an important role in their economy. Although some rubber estates had switched to oil palm, the rubber industry remains a significant contributor to the economy of Indonesia and Thailand: the two largest producers and exporters of natural rubber. Rubber provides employment opportunities to the rural people while rubber based manufacturing industries are also a substantial employer of the urban workforce. These products are marketed to all parts of the world.

Nevertheless, of late, the expansion of exports of timber, palm oil and rubber, either as finished products or raw materials has pushed the major industrialised countries out of the market of value added products traditionally held by those countries. The encroachment has threatened the employment opportunities of the workers in these countries. In some cases these have either domestically and internationally encouraged the perpetuation of protectionist attitudes among some developed countries to enforce the labelling of these commodities on the pretext of saving environment (Mohammad, 1994). As a result, some of these products come under invisible import restrictions one of which is “labelling”.

This paper attempts to examine the facts and evidence, and to prove that labelling phobias propagated under the disguise of environmental protection are motivated by protectionist inclination. The motive is neither totally related to environmental concern, nor health and safety reasons, but mostly driven by the inherited protectionist instinct and hypocrisy.

### **3.0 LITERATURE REVIEW**

The term ‘tariff’ refers to taxes or customs duties imposed on goods that move between nations (Jain, 1990). ‘Barriers’ refers to a series of protection erected by the importing countries (Jain, 1990). Thus the term ‘tariff barriers’ technically implies forms of specific duties worked out on the basis of percentage of value of goods imported. On the other hands, non-tariff barriers are technically imposed restrictions on imports of foreign goods by the host country.

Cao (quoted by Jain, 1990) categorized non-tariff barriers as: specific limitation on trade; customs and administrative entry procedures; discriminatory health, safety and quality standards, government participation in trade; charges on imports and many others. Jain (1990), Leamer and Stern (1970) and Cannon (1992) quoted subsidies, counter purchases, quotas and monetary barriers (foreign exchange) as the most commonly used non-tariff barriers. Lately, the imposition of standard disparities (imposing higher standard on imported goods than on domestic products), and specific labelling seem to be the most commonly applied restriction (Jain, 1990; Mohammad, 1994). Root (1983) had cited several reasons for importing countries to resort to the imposition of such restrictions which can be simplified as follows: (1) to prevent the outflow of national wealth from being transferred as payments for imports; (2) to raise the price of imported goods to the same level as domestically produced goods; (3) to protect the home industry; (4) to safeguard against potential trade concession.

According to Murphy and Enis (1988), Stanton (1994), Schoell and Gultinan (1990), Pride and Farrell (1988) and Shaw and Semenik (1989), labelling is a technical "label" affixed to part of the product. It is often used by some to mislead the consumers. Very often it may be used as an image builder or to improve the credential of the products and the manufacturers (Hashim, 1994; Hashim and Mahat, 1995). Until recently, with the emergence of the protectionist ideas, labelling has often been used as dubious tools for a monopolistic goal by excluding the nearest competitors through product attributes such as "green", "eco-friendly" or by claiming that raw materials used in the manufacture of products are sourced from sustainable resources or recycled activities of the production processess (Mohammad, 1994). For example, all cosmetic products of Body Shop are claimed to be made from oils that originate from sustainable activities of the natives of developing countries. Such claims by Body Shop are refuted as groundless (Entine, 1994). Some interest groups are using label as tools to discredit others, accusing their competitors' products as deleterious and unsafe as they contain excessive amount of harmful ingredients. Labelling can often be scary and may do more harm than good or may even inculcate phobias in the minds of consumers (Ibrahim, 1994).

#### 4.0 SOME DISCUSSION AND CRITICAL ANALYSES

The following are some of the facts and evidence to support and drive home that labelling is in fact designed for protectionist goals rather than for ecological, environmental and health concerns. The first line of argument concerns tropical timber and wood products.

Of late, timber exports from developing countries have been increasingly subjected to new and arbitrary requirements involving certification and labelling by some of the importing countries. The introduction of the earlier has resulted in arbitrary rejection of tropical products by the local city councils of some European countries without giving a fair assessment of the source of timber (Mohammad, 1994; Ahmad, 1994).

In this light, some city officials have pressured the “do it yourself” (DIY) people to drop tropical timber products altogether. The architects, the civil engineers, the forest and environmental activists and the non-governmental organisations have introduced guidelines urging building contractors, housing developers and civil work engineers not to use tropical timber if they do not want to participate in global warming (Ahmad, 1994). The NGOs such as World Wildlife Funds have embarked on a campaign using the electronic media such as CNN cable networks to literally paint in the mind of the viewers in Europe and North America that the only source of drug of AIDs and cancer is from the tropical forest (Lim quoted by Ali, 1994). They are incidentally building in the mind of the potential users a negative perception that tropical producers and exporters are destroyers of the precious rain forest. They are propagating the ideas that if the users buy the timber from the tropical sources, they are participating in destroying the only source of cure for AIDs and cancer (Ali, 1994). Thus, the tropical timber producers and exporters are being subjected to misguided campaign. Also, there is increasing pressure from the NGOs activists as well as their politicians to label timber imports and ban tropical timber altogether from their markets. Proposals have been introduced and actions taken by these groups to regulate and control international trade in tropical timber. Their premise is that only these actions will reduce demand for tropical wood and preserve the tropical forest.

Tropical timber continues to be a target of attack in the context of global environmental deterioration. Recently, even the man in the street has boycotted tropical timber and its by-products. In fact, in 1992, some countries, including Holland, Germany, Austria and Switzerland, labelled timber from Malaysia and Indonesia as tropical timber to allow easy identification. This labelling is now subjected to boycott (Ali, 1994). But, is labelling of tropical timber justified?

Until recently, Europe has been under the grip of under-employment, with more than 17 million people still out of job of whom a significant proportion are below 25 years old. With unemployment as high as 26 per cent in some of the EC countries, impressive growth of exports of tropical timber to the EC may implicate perverse effects on the employment opportunities there (de Beijar, 1991). Labelling to specifically identify tropical timber products is an attempt to monopolise and restrict foreign imports of timber. Henceforth, the fast growing tropical timber trade and wood-based industries have created a strong competition in the manufacturing industry of aluminium, steel and synthetic window frame. Until recently, all of these plants have been working below capacity (de Beijar, 1991). By resorting to anti-tropical timber, these plants hope to expand their production. In fact the European tropical timber activists have an annual budget of US\$1.2 billion to underscore the objective of campaigning against tropical timber (de Beijar, 1991). Perhaps, such a large amount of financial support is sourced either from their governments or from the industries related to steel, concrete and PVC. The question is: are all these measures genuine? Maybe all these are some of the hidden agendas to restrict imports of tropical timber. All these restrictive measures are developed to protect their senile and dying industries against prolific exporters especially those from countries like Malaysia and Indonesia, and the recent new comers like Papua New Guinea, Vanuatu, and Solomon Islands.

In terms of eco-friendliness between timber and other building materials, wood is more environmentally friendly than the latter. Wood material is natural, organic, and renewable non-toxic material as compared with steel, concrete and aluminium. It is a better alternative building material than steel, concrete, aluminium and PVC. It takes 435kw hours to produce a tonne of timber as building material compared with 3789kw hours for steel and 21,169kw hours for

aluminium (UK Timber Trade Federation; quoted by Ahmad, 1994). Thus timber is more energy efficient, more sustainable and environmental friendly. The question is how could these groups blame tropical timber as a source of environmental deterioration? Should tropical timber and wood be blamed for the “Green House Effects” as claimed by the proponents of these commodities?

To amplify the facts further, it can be argued that it is not fair for industrialised countries with 25 per cent of the world’s population while they consume 75 per cent of the energy, 85 per cent of the wood products and 72 per cent of the steel, generate 90 per cent of the hazardous waste, 72 per cent of carbon dioxide and 100 per cent ozone-damaging chloroflurocabon (CFC) to blame tropical timber exports for global warming (Ang, 1995). It is the envious and dubious attitudes of these NGOs and their Governments that always propel them to demand and impose restrictions on exports of tropical timber of the developing countries rather than discuss. The issue that tropical timber trade from the developing countries contributes to global warming is more of a lop-sided reaction. The Food and Agricultural Organisation (FAO) estimated that 82 per cent of timber wood is used as firewood, 10 to 12 percent for local construction and only 4.5 to 5 per cent enters international timber trade (Ting, quoted by Ang, 1995). Therefore, why should the developed countries blamed timber trade as a source of global warming? The root cause of the deforestation is poverty and the need for fuel wood as source of energy in the developing countries, not tropical timber trade as claimed by the NGOs and the developed countries (Ting, quoted by Ang, 1995). In fact a large part of the timber trade comes from the timber farms of the temperate industrialised countries in Europe and elsewhere and their timber can be freely exported.

In addition, the developed countries have refused to establish sustainability for their forest. In fact the mono-culture forest in Europe and in developed countries is more unfriendly than tropical forest. In the case of tropical forest, when one specie is harvested, other valuable species are left undisturbed, and prolific growth of the forest trees and species are left untouched. Therefore, Mohammad (1994) challenged the developed countries and their NGOs with this statement “If the developed nations and other NGOs are genuinely concerned about the sustainability of the forest utilisation and management, the standard



and criteria imposed on the tropical timber should be fairly and equally applied to all timber including those from temperate and boreal forests”.

Finally, it is dubious and unfair for the NGOs and industrialised countries to demand that developing countries stop “destroying” or extracting forest products from their virgin forest, without giving insights into how to feed the countries’ growing population. On the other hand, these developed countries should justify their deforestation of tropical forest while they have virtually destroyed their own forest in the name of development. Instead they should be giving money and not lip service to the owner of the rain forest and at the same time to tell them not to destroy their own forest (Suffian, 1995). Somare (quoted by Suffian, 1995) suggested that instead of asking the developing countries to stop destroying or damaging their tropical forest, the developed countries should be considering reasonable price for tropical timber. Otherwise this kind of forest will be cleared and used for crop production purposes. Perhaps, this kind of thinking will discourage and restrain these countries from the extractive activities and thus saving their rain forest.

For the developed countries, this presumption and thinking may be a logical step. Nevertheless, for the developing countries, they are not ill sighted as branded by the NGOs and other protagonists from the developed countries. The tropical forest owners are careful of their extraction of forest resources. Care is taken as not to cause a perverse environmental effect which will be damaging to their national treasure and heritage.

## **5.0 FINAL REMARKS AND CONCLUSION**

The preceding discussion points to the fact that labelling of tropical products, in particular the tropical timber and wood, has been conceived as legitimate by the proponents of the trade in the international market. However, if labelling is instituted with envious and dubious goals of restricting the exports, it is perhaps another misguided action to serve the vested interests of the NGOs and some developed countries which are against the exports of tropical timber and wood. Labelling in this manner is in fact a non-tariff barrier.

The claims that global warming and deforestation of tropical forest caused by the exports of tropical timber and woods have been propagated and bombarded through the media creating phobias in the mind of the consumers in a number of developed countries. The ultimate goal of this scare tactics and labelling is to reduce the demand for tropical timber in these countries. At the same time it is to preserve their declining monopolistic advantage of the local industries mainly related to the production and trading of building materials such as steel, concrete and aluminium which are facing stiff competition from tropical products. To claim that tropical timber exports lead to the degradation of global environment is totally absurd. This is because the total contribution of tropical timber trade is only 5 per cent, too small to justify comparison with the volume of timber exports of the developed countries. Thus, the demand for labelling of tropical product is inconceivable and identical with non-tariff barriers.

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