

Voluntary Sustainability Standards, Trade and Sustainable Development

**3rd Flagship Report of the United Nations
Forum on Sustainability Standards (UNFSS)**



UNFSS
United Nations Forum on Sustainability Standards



International
Trade
Centre



A Platform of International Dialogue on Voluntary Sustainability Standards



About the UN Forum on Sustainability Standards (UNFSS)

The United Nations Forum on Sustainability Standards (UNFSS) is a platform created to analyze voluntary sustainability standards (VSS) and disseminate information about them.

UNFSS is rooted in existing mandates and activities of participating United Nations agencies. Its value lies in pooling resources, synchronizing efforts and assuring policy coherence, coordination and collaboration, in line with the “One UN” concept. UNFSS is coordinated by a steering committee consisting of Food and Agriculture Organization (FAO), International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD), United Nations Environment Programme (UN Environment) and United Nations Industrial Development Organization (UNIDO). UNFSS works in partnership with VSS experts representing civil society, producer associations, processors and traders, standard-setting organizations and certifiers, trade negotiators, consumers, and researchers.

UNFSS facilitates dialogue and knowledge exchange, providing a forum for intergovernmental actors to communicate with each other and their target groups to address information needs and influence concerned stakeholders.

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EXECUTIVE SUMMARY

The 3rd UNFSS Flagship is set to impart an agenda surrounding Voluntary Sustainability Standards (thereafter known as VSS) and its relation to trade issues, in particular the impact of VSS on market access. Where traditional trade theory is concerned, the focus has been mainly tied to tariffs and non-tariff measures. Given the increasing influence of VSS over export opportunities in recent years, the objective of this report is to provide an in-depth understanding of VSS from trade policy perspective and explore how trade can shape the influence of VSS on developing countries' market access. The key questions of this report include:

- What are the impacts of VSS from the trade policy perspective?
- What sustainability concerns do VSS address?
- Do VSS have significant impact upon developing countries trade success and in their achievements of the Sustainable Development Goals (SDGs)?
- What can public actors do to support VSS' contribution to trade opportunities?
- What can potentially be the stipulated roles of global governance?

The relationship between VSS, trade and sustainable development are among the most pronounced concepts sought-after the realm of green global value chains. The intent of the 3rd UNFSS flagship aims to address these topics in two chapters. The first chapter analyzes the effects of VSS in the global economy by identifying the direct and indirect effects of VSS on sustainable development and trade, providing benchmarking analysis with reference to the 2030 SDG agenda, determining the indirect effects of VSS as either a market access enabler or barrier, that eventually ensues policy considerations in the effort to strengthen VSS through public governance. The second chapter complements the first chapter with a focus on the National VSS Multi-Stakeholder approaches, which predominantly sees the evolution of VSS taking shape in developing countries, followed by the national platform establishment experiences and knowledge-sharing contributions provided by Brazil, China and India as pilots of this initiative.

In summary, Chapter 1 serves to identify the main pathways through which VSS can contribute to sustainable development and examines trade-relevant dimensions that constitutes VSS either as facilitators or barriers to trade. While VSS systems are generally non-governmental private standards, it is important to note that public actors can play a crucial role in engaging VSS through several support mechanisms and/or use their convening power to enable the creation of new VSS. This chapter also addresses the concerns regarding the increasing multiplicity of VSS that has been argued to amplify barriers to trade. To ascertain the effects of VSS in the global economy, the key findings in this report includes:

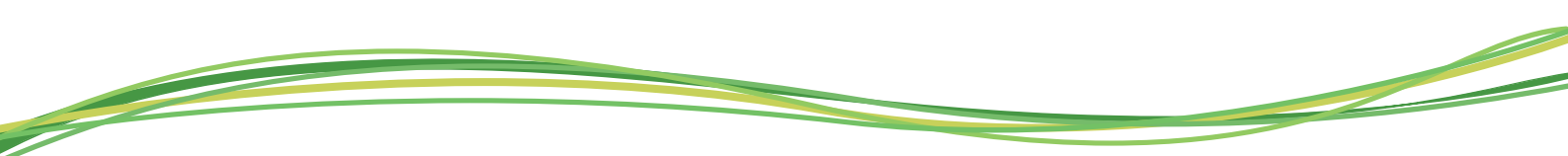
- **VSS as catalyst of sustainable development** – Using the Sustainability Map database which covers 241 VSS applicable to more than 80 sectors and 180 countries, the direct channel through which VSS can contribute to sustainable development can be measured by the empirical links between VSS and the SDGs. Benchmarking 10 selected SDGs against the requirements of the 122 VSS in the sample, the analysis reveals a significant potential to create institutional complementarities between VSS and the SDGs. In particular, in areas such as decent work (SDG 8), responsible production and consumption (SDG 12), and life on land (SDG 15), there are strong overlaps between the content of VSS and the SDG targets.
- **Suitability (effectiveness) of VSS crucially depends on the institutional design factors of VSS systems** – The “credibility” of VSS systems that concerns rigorous standard-setting, monitoring and verification procedures are apparently not universal. Therefore, whether VSS can be an effective implementation tool, especially with regard to the SDGs, very much depends on how the governments (and companies) pursue the system at national level.

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- **Relationship between VSS and trade** – Especially in the effort to reduce the burden on developing country producers, VSS should do more to actively support suppliers (especially smallholders in developing countries). Increasing transparency is a way to help reduce transaction costs.
 - **Proliferation of VSS** – While the number of VSS has greatly increased globally, the significant variation in the number of active VSS across different country-product-markets suggests that problems with duplication and overlap between standards (and the increased compliance costs on suppliers) are likely to differ across markets.

Extending from the idea that VSS, trade and sustainable development are intertwining concepts either as facilitators or barriers to trade, Chapter 2 stems on the involvement of multi-stakeholder approaches through the national platform initiatives. It primarily focuses on the increasing interest of VSS implementation in developing countries while addressing the opportunities and risks VSS might pose on the domestic economy and exports. Complementary to the empirical analysis, the succeeding part will draw actual experiences and forward plans of the national platforms from contributions of Brazil, China and India. Key findings composed in this chapter includes:

- **Positive reception of VSS through multi-stakeholder forums** - Despite the initial rejections of standards conceived in developed countries perceived to serve the interests of foreign corporations and introducing further “unnecessary” barriers to trade, developing countries are now increasingly motivated to participate in shaping the evolution of VSS thanks to the establishment of multi-stakeholder forums organized at the national level.
- **International schemes** – VSS are no longer seen from the perspective of individual corporations but rather, as instruments to serve the macro-economic objectives of transformation and sustainable development of the nation’s globally connected economy.
- **Challenges for VSS platforms** – Challenges discussed in this report covers the lacking capacities of national endorsement schemes, concerns around localisation of standards and the need to support MSMEs.
- **Multilateral organizations as solutions to fair representation of interests** – Observers from developing countries also speak out for putting multilateral organizations in charge regarding cases where regulatory action rather than voluntary effort is called for. The idea is mainly to allow governments from developing countries to be in a better bargaining position.

With all due respect, it is evident that VSS are perceived to bring positive outcomes for trade-induced economic growth, environmental sustainability and social development, but the shortcomings concerning market access barriers that are brought to light by the utilization of VSS must not be overlooked, as the second chapter rightly positions the crucial role of the public actors at national level.



CHAPTER I

VSS, Trade and Sustainable Development



Introduction

Over the last two decades, voluntary sustainability standards (VSS) have emerged as a new instrument of transnational trade governance (Cashore et al., 2004; Fiorini et al., 2016; Marx et al., 2015). Beginning in the 1990s, the first VSS with global reach were launched in the fields of agriculture, forestry, as well as in the fair-trade arena. Prominent examples are the Forest Stewardship Council, the Rainforest Alliance, and Fairtrade International. The rapid proliferation of these programs is part and parcel of a broader trend in global sustainability politics – a shift from a system of state-centered governance toward a system in which governance has multiple (often private) sources. Scholars have described this shift as a “Cambrian explosion” of new governance initiatives (Abbott, 2012).

As a new regulatory form, VSS set social and environmental standards for transnational production, and they often operate certification programs to verify compliance in global value chains. The Sustainability Map (www.sustainabilitymap.org) of the International Trade Centre (ITC), an inventory of VSS, now counts

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