

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**Trade and Development Board, fifty-ninth session  
Geneva, 17-28 September 2012**

**Item 7 “Evolution of the international trading system and  
its trends from a development perspective”**

**Presentation of Mr. Christopher Wunderlich,  
UN Forum on Sustainability Standards**

Tuesday, 25 September 2012

Not checked against delivery\*

\*This presentation is made in the language and form in which it was received. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



# The UN Forum on Sustainability Standards

The Emerging Intergovernmental Forum on VSS

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Trade and Development Board  
September 12th, 2012- Geneva

# What are Voluntary Sustainability Standards (VSS)?

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- Focus: health, safety, environmental, social and animal welfare issues.
- “Credence characteristics”, i.e. attributes which cannot be verified through examination of the product.
- Legally non mandatory, but can become a **de facto market entry hurdle**.
- **Most prominent** (in terms of quantity, level of sophistication, and multi-dimensionality) in the **food and agricultural sector**.
- Also significant in textiles/clothing, footwear, toys, timber/timber products, natural cosmetics, liquid bio-fuels, & electrical and electronic goods.
- **Energy and material/resource efficiency standards** are emerging in several sectors as a supplement to other market-based and fiscal instruments.
- **Carbon & water foot-printing standards** are emerging as a new frontier.

## Importance of VSS

- VSS are of key importance for **market entry** and sustainable development.
- Unless pro-actively addressed, VSS can become a serious market entry hurdle.
- Real developmental opportunities exist in the light of strong dynamics in markets for sustainably produced products, which generally expand much faster than conventional agricultural markets.

### Recent Average Annual Rate of Growth of Key VSS Markets

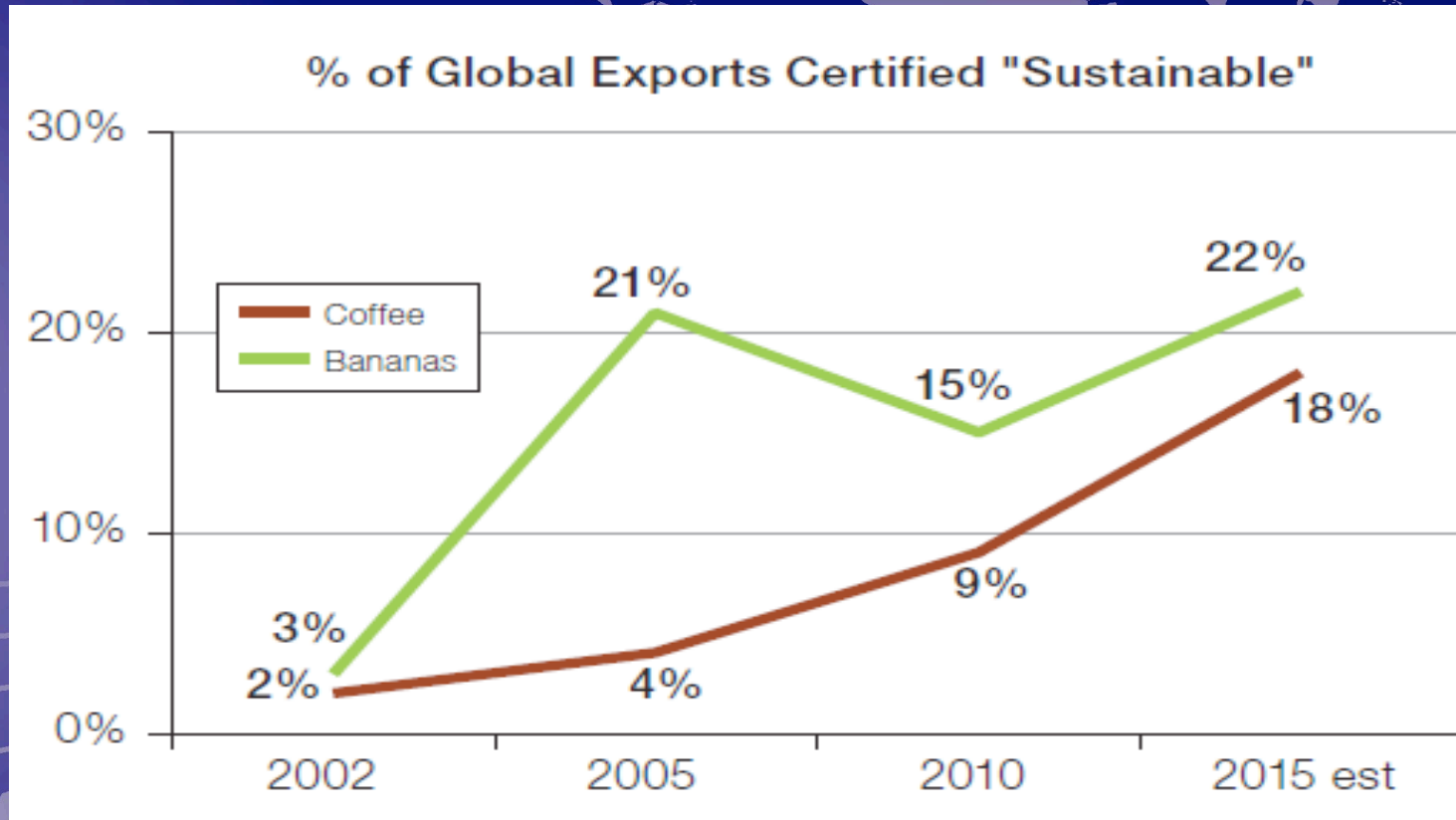
|                 | Global  | US     |
|-----------------|---------|--------|
| ■ High-value    | 5-10 %  | 10+ %  |
| ■ Organic       | 10-15 % | 15-20% |
| ■ Fair Trade    | 35 %    | 40%    |
| ■ Utz Certified | 30 %    | --     |
| ■ Rainforest    | 105%    | 120 %  |

Conventional Food Markets

2-4 %

3-5 %

# Market Share of VSS-certified Bananas & Coffee



Source: Giovannucci et al., 2012: 17.



| Level               | Potential Benefits of Standards/<br>Certification as tools:  |
|---------------------|--|
| Farm                | <p>Improve <b>management capacities</b> (farm/resource)</p> <p>Improve <b>productivity</b> and product <b>quality</b></p> <p><b>Reduce costs</b></p> <p>Improve <b>market access</b> (and diversification)</p> <p><b>Longer-term relationships</b> (w/ buyers &amp; other farmers)</p> <p><b>Premiums- <i>sometimes</i></b></p>  |
| National/<br>Sector | <p>Increase <b>export revenues</b></p> <p>Create <b>jobs</b> on farms</p> <p>Improvements in <b>processing and services</b></p> <p><b>Economies of scale</b> and <b>innovation</b> achieved</p> <p><b>Positive spillovers</b>- quality and safety in domestic markets &amp; occupational health/welfare of farm workers</p> <p><b>Enfranchise marginalized groups</b></p> <p><b>Enhanced soil fertility, water quality, biodiversity etc</b></p> |

Source: Draft Decision-making guide: Trade Standards Practitioners Network (TSPN), International Institute for Environment and Development (IIED)

# Potential Concerns- Standards/Certification: Policy Level (Producer Countries)

## Market Access:

- ✧ **Threat to market access** (exclusion-valuable export/new markets)
- ✧ **“Sustainability” used** to protect domestic markets

## Standard-setting:

- ✧ Perception external **non-state actors setting standards**
- ✧ Threat to **national sovereignty** (exclusion from standard-setting)
- ✧ **Whose sustainability** (democratic national governments or distant consumers/brands)?

## Standards applicability:

- ✧ Standards/criteria/processes, **potentially inappropriate to local situation**
- ✧ **Too stringent** for producers' and local institutions capacities
- ✧ **Inflexibility to adapt to local realities** (lack of appreciation for cultural/geographical/social diversity)

# Rational for Creating UNFSS

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- ✦ VSS as means to Sustainable Development, not as ends in themselves.
- ✦ Contextualize VSS into the macro-economic development perspective (i.e. not only market access and market shares agenda).
- ✦ UNFSS should focus on public interest & public goods related to VSS.
- ✦ VSS need to be recognized as strategic policy issue (also in the context of mitigating economic, food, climate and water crises).
- ✦ Understood within overall life cycle of products and related services (and within context of avoidance, minimization and management of real risks).
- ✦ Also of increasing importance for South-South trade.
- ✦ Represent new meta-governance system for international supply chains, largely outside WTO rules.



# Rational for Creating UNFSS (cont'd)

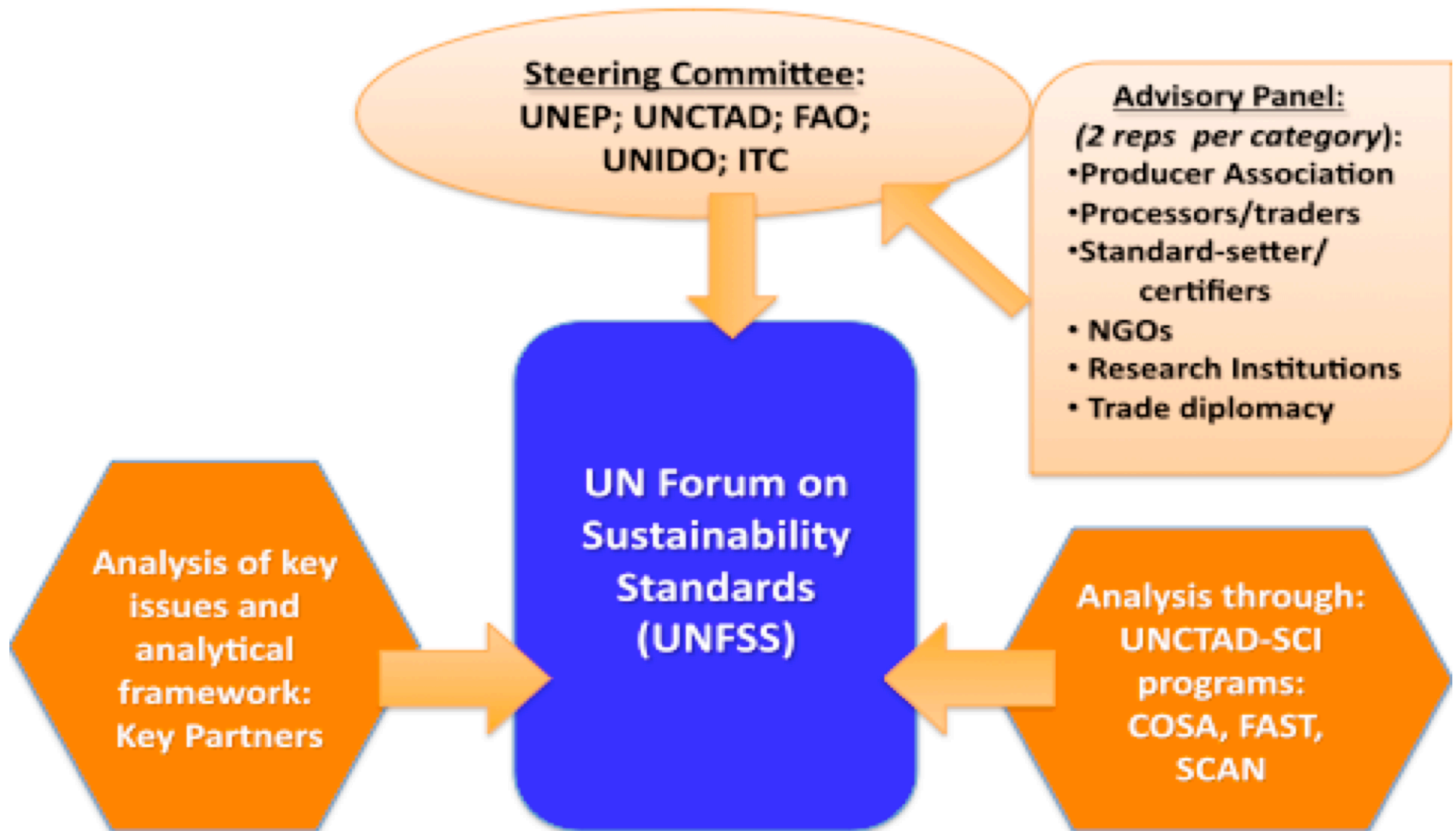
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What is important to address is that VSS are scrutinized as:

- (i) proportionate to the (real) risk they claim to address;
- (ii) scientifically-based; and
- (iii) that the burden of compliance is distributed fairly.

In essence, VSS should not undermine  
or weaken rules of TBT and SPS Agreements

# UNFSS- Structure



## UNFSS Added Value

- ❖ An **unbiased and credible policy forum** that guides and benefits from analytical, empirical and capacity-building activities.
- ❖ Structured to promote “**ownership**” by developing countries and assure the “**demand-driven nature**” of UNFSS activities.
- ❖ The only inter-governmental (and multi-stakeholder) forum that deals with **generic and strategic issues of VSS in a consistent and pro-active way.**

## Next Steps:

**UNFSS Launch Event, Geneva,**

**Dec. 12-13, 2012**

**Consultation document sent to potential participants,**

**Oct. 15<sup>th</sup>, 2012**





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