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.
What are Voluntary Sustainability Standards (VSS)?

- 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

<table>
<thead>
<tr>
<th>Market Type</th>
<th>Global</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-value</td>
<td>5-10%</td>
<td>10+%</td>
</tr>
<tr>
<td>Organic</td>
<td>10-15%</td>
<td>15-20%</td>
</tr>
<tr>
<td>Fair Trade</td>
<td>35%</td>
<td>40%</td>
</tr>
<tr>
<td>Utz Certified</td>
<td>30%</td>
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</tr>
<tr>
<td>Rainforest</td>
<td>105%</td>
<td>120%</td>
</tr>
</tbody>
</table>

Conventional Food Markets

- 2-4% in Global
- 3-5% in US
Market Share of VSS-certified Bananas & Coffee

Source: Giovannucci et al., 2012: 17.
<table>
<thead>
<tr>
<th>Level</th>
<th>Potential Benefits of Standards/Certification as tools:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm</td>
<td>Improve <strong>management capacities</strong> (farm/resource)</td>
</tr>
<tr>
<td></td>
<td>Improve <strong>productivity</strong> and product <strong>quality</strong></td>
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<tr>
<td></td>
<td><strong>Reduce costs</strong></td>
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<tr>
<td></td>
<td>Improve <strong>market access</strong> (and diversification)</td>
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<tr>
<td></td>
<td><strong>Longer-term relationships</strong> (w/ buyers &amp; other farmers)</td>
</tr>
<tr>
<td></td>
<td><strong>Premiums- sometimes</strong></td>
</tr>
<tr>
<td>National/Sector</td>
<td>Increase <strong>export revenues</strong></td>
</tr>
<tr>
<td></td>
<td>Create <strong>jobs</strong> on farms</td>
</tr>
<tr>
<td></td>
<td>Improvements in <strong>processing and services</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Economies of scale</strong> and <strong>innovation</strong> achieved</td>
</tr>
<tr>
<td></td>
<td><strong>Positive spillovers</strong> - quality and safety in domestic markets &amp; occupational health/welfare of farm workers</td>
</tr>
<tr>
<td></td>
<td><strong>Enfranchise marginalized groups</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Enhanced soil fertility, water quality, biodiversity etc</strong></td>
</tr>
</tbody>
</table>

*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)
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.
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

Steering Committee:
UNEP; UNCTAD; FAO;
UNIDO; ITC

Advisory Panel:
(2 reps per category):
• Producer Association
• Processors/traders
• Standard-setter/certifiers
• NGOs
• Research Institutions
• Trade diplomacy

UN Forum on Sustainability Standards (UNFSS)

Analysis of key issues and analytical framework:
Key Partners

Analysis through:
UNCTAD-SCI programs:
COSA, FAST, SCAN
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. 15th, 2012
For more information, contact:

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