



## PRESS RELEASE

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### FORUM TO DISCUSS VOLUNTARY SUSTAINABILITY STANDARDS THAT INCREASINGLY AFFECT DEVELOPING-COUNTRY EXPORTS

#### Conference marks effort by UN agencies to have coordinated approach on important tool for sustainable trade and development

Issued jointly by FAO, ITC, UNCTAD, UNEP, and UNIDO

*Geneva, 15 March 2013* – The labelling of coffee, cocoa, tea, bananas, fish, timber or flowers as “sustainable” under various voluntary certification programmes is among the key challenges facing agrofood-exporting developing countries that are to be discussed at a new United Nations Forum that debuts on 21 and 22 March.

The **Conference Launching the United Nations Forum on Sustainability Standards** (UNFSS) is co-sponsored by five United Nations agencies: the Food and Agriculture Organization (FAO), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Environment Programme (UNEP), and the United Nations Industrial Development Organization (UNIDO). Under their mandates, all have worked on issues of sustainable development and related standards for years, and the Forum is an example of the UN delivering as one to coordinate efforts on important development matters.

So-called voluntary sustainability standards (VSS), also termed private standards, claim to improve the health, occupational safety, economic, social, environmental, or animal-welfare conditions under which products are made. They are increasingly becoming significant factors in international trade, particularly for governing long international supply chains. Not complying with them may lead to market exclusion and marginalization. Bilateral or regional free trade agreements generally do not deal in VSS, and, as voluntary instruments, they remain outside the rules of the World Trade Organization, but some experts maintain they may have comparable or even greater practical effects on trade than tariffs do.

Besides playing a very important role in trade and market access, VSS can be important tools for helping to achieve sustainable development objectives such as higher material/resource/energy efficiency, reduction of environmental pollution, or better work and social conditions, including higher incomes. In this way, VSS can effectively contribute to strengthening public goods and services.

Although legally “voluntary” – not created by governments but by private firms, by non-governmental organizations or by coalitions of producers and consumers – they often de facto become mandatory in global markets as their implementation is required by key commercial actors, such as large retailers, traders, or processing companies. Some VSS may also be referenced in government regulations.

Because VSS apply to the *processes* by which goods are made – for example, for goods labelled “organic” or “fair trade” – they are generally invisible in the end products. Yet, an increasing number of

consumers prefer certain production processes, or emphasize specific objectives such as fair wages, occupational safety, animal welfare, nature conservation, or reduction of greenhouse gases.

VSS can result in price premiums – for example for organic produce or fair-trade products. Conversely, they may reduce production costs, by reducing external inputs, for example of energy or fertilizers, or the costs associated with environmental damage, such as soil or water contamination.

The recent expansion and growing complexity of global supply chains for food and other goods, and the increasing role played by consumer preferences, have expanded the use of VSS. Markets dominated by VSS have recently had annual growth rates significantly higher than those for conventional markets, though beginning from a small base.

The share of “sustainable” products in the market is hard to quantify. But a review on sustainability and transparency carried out by the State of Sustainability Initiatives (SSI), a project that monitors the field, estimated in 2010 that the share of sustainable coffee increased by 433 per cent between 2006 and 2009; tea by 2,000 per cent; cocoa by 248 per cent; and bananas by 64 per cent. By comparison, consumption of conventional foods over that period increased by 10 per cent.

Most of the world’s largest coffee roasters have developed strategic alliances with sustainability standards such as Fair Trade, Rainforest Alliance, and UTZ Certified, or have developed their own coffee standards. In 2011, some 12 per cent of globally consumed coffee was compliant with at least one sustainability standard.

According to estimates by the Tropical Commodity Coalition, certified tea accounted for 10 per cent of world production at the end of 2010. Sustainable banana sales accounted for about 10 per cent of world exports in 2009. Sustainable forestry initiatives – as under the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification (PEFC) – covered some 18 per cent of globally managed forests by the end of 2009.

Experts studying the field say that although various VSS market shares may be high, such standards on their own are no guarantee of correspondingly high positive environmental or social impacts.

VSS raise important issues for international scrutiny and for developing-country governments, such as how well they promote sustainable production and consumption methods, including opportunities for cost savings; how well they promote competitiveness in growing and lucrative markets; and how effectively they internalize environmental and social costs.

Experts contend that at times of policy inaction or slow progress on international negotiations, such as on climate change, VSS are one of the few promising and dynamic tools that may alleviate some problems (such as deforestation) and slow or reverse negative trends (such as increasing resource use). Unless couched in the right national and international policy frameworks however, VSS may not be sufficient to bring about major progress in tackling such problems as climate change or agricultural transformation.

While VSS undoubtedly can have many national, international and company-level economic, environmental and social benefits, the development and implementation of VSS poses certain challenges:

- While at first sight appearing to be policy-neutral and techno-driven tools, VSS often define criteria for market entry or exclusion and thus for the redistribution of income between actors inside international value chains. That can give extensive power to those who control the standards.
- As anyone can set VSS, there is a risk of them being used by vested commercial interests to create or defend market niches. There is thus a danger that market access requirements will be based not on scientific facts but on proof of compliance with a loosely connected amalgam of subjective and scientific criteria. This can make it difficult to distinguish environmental and social protection measures from trade-protectionist measures, raising the risk of reinforcing anticompetitive tendencies.
- The development process for VSS may not be sufficiently transparent and inclusive. The underlying methodologies for developing criteria and indicators, and impact assessments, are often not clear.

Some VSS only focus on one, or on a narrow range, of sustainability issues, limiting the scope for holistic improvements and resulting in confusion among consumers and even producers. Some commentators contend that recently, there has been a tendency towards “inflationary dissemination” of VSS, with some standards being limited to incremental rather than fundamental changes.

- VSS can require considerable know-how, equipment, infrastructure and related investments, and tend to reinforce already existing capacity weaknesses, notably among smaller-scale producers and in the least developed countries.
- The cost of implementing VSS is not low. As costs and benefits do not necessarily arise at producers’ level, governments may need to intervene to balance the costs and benefits for different actors. Price premiums resulting from the use of VSS can be earned in some markets, but research has shown that this is rarely the case.
- In more and more markets, several VSS are required for effective market access (for example, organic and fair trade VSS in addition to the GlobalGAP standard, for food sold in large supermarkets). This multiplicity of required standards often results in multiple compliance and certification costs.

While there are arguments for and against VSS, in many international markets they have become a reality and have long since graduated from niches. Therefore, there is a need to discuss and analyse VSS more systematically in order to maximize their benefits and minimize their costs, particularly for small-scale producers and less developed countries.

The five UN agencies partnering in the Forum are all actively working on VSS, including by providing support in formulating national strategies, impact assessments, harmonization and equivalence, coordinated capacity-building, access to affordable finance, and the trade aspects of sustainability standards. The agencies will aim at pooling resources and synchronizing their efforts, and at assuring policy coherence, coordination and collaboration. The effort is thus an example of the UN delivering as one to maximize impact and efficiency.

UNFSS is meant to be a demand-driven Forum for dialogue, the exchange of information and experience, and capacity-building, in response to the information needs and concerns of key decision-makers, particularly from the public and private sectors of developing countries. The launching conference will seek guidance from these decision-makers on the priority issues to be addressed in future Forum activities. Indeed, the Forum is intended to boost effective participation by developing countries in the international debate on the development of VSS.

More information on UNFSS and the launching conference is available at [www.unfss.org](http://www.unfss.org).

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