

## **Better Trade for Sustainable Development: The Role of Voluntary Sustainability Standards (VSS)**

### **Virtual Webinar**

### **30 August 2021**

#### **Summary Report**

#### **I. Opening remarks**

1. The webinar was opened and chaired by **Ms. Isabelle Durant**, Acting Secretary-General of UNCTAD. In her opening remarks, Ms. Durant highlighted the need to pursue development under the Sustainable Development Goals (SDGs) umbrella. While she signified the role of international trade as a means of implementation to achieve the SDGs, she also referred to the adverse social and environmental impacts that could result from the expansion of international trade. Based on that, Ms. Durant prioritized the necessity to transform towards sustainable trade by implementing innovative tools and instruments such as voluntary sustainability standards (VSS).
2. Taking a holistic approach in analyzing VSS, Ms. Durant spoke not only about the socio-economic and environmental benefits brought by the utilization of sustainability standards, but also the risks and challenges of standards, especially for developing countries. Ms. Durant outlined the adverse impacts of standards on smallholders and producers in developing countries, from the increased information and production cost to the possibility of the exclusion from global trade. She also pointed out the role of UNCTAD in advancing the dialogue on sustainability standards to better be harnessed towards the achievement of sustainable trade and the SDGs. Through the report “Better Trade for Sustainable Development: The Role of Voluntary Sustainability Standards (VSS)” UNCTAD goes a further step in achieving this goal.

#### **II. Presentation of the report Better Trade for Sustainable Development: The Role of Voluntary Sustainability Standards (VSS):**

1. The report was presented by two of its authors, **Mr. Santiago Fernandez de Cordoba**, Senior Economist, Trade Analysis Branch, DITC, UNCTAD and **Mr. Axel Marx**, Deputy Director, Leuven Centre for Global Governance Studies, University of Leuven.  
In his presentation, **Mr. Fernandez de Cordoba** highlighted the challenging picture of the sustainability of the planet and the urgency for transforming the production and consumption paradigm to a more sustainable one.  
His presentation discussed the trade impact on sustainable development through VSS. It started by outlining the aims of the report as follow: (i) Analyzing the potentials and constraints of VSS in making international trade more sustainable, (ii) Examining the capabilities of VSS to increase the environmental, social and economic sustainability outcomes, (iii) Investigating the means of maximizing VSS contribution to sustainable development and minimizing their risks, and (iv) Proposing structural approaches that can be considered for enhancing the potential of VSS in mitigating the sustainability crisis and advancing the achievement of the SDGs.  
Mr. Fernandez de Cordoba explained the nature of VSS, and described it as a seal of approval and an effective marketing tool that provides price premium and market access. He described how VSS

requirements could contribute to SDGs, as they relate to a wide range of policy targets included in the SDGs, including decent work, food security, gender equality, climate action and many others.

Mr. Fernandez De Cordoba concluded by illustrating that the changing nature of trade and the dominance of global value chains (GVCs) allows for the diffusion of standards. GVCs can be governed in a way that addresses the adverse economic situation, social and environmental consequences of trade.

2. In his presentation, **Mr. Marx** covered the reports' findings and focused on the impact and effectiveness of VSS. He began by showing the proliferation of VSS over the last three decades and explaining the major drivers of this proliferation.

He explained the report's scope by highlighting that to understand the effectiveness of VSS it is essential to look at two dimensions: the Impact dimension and the adoption dimension. For VSS to effectively address the sustainability challenges, they need to score on the two dimensions.

By impact he referred to the degree to which VSS could contribute to the sustainability concerns, for instance, their implications for poverty alleviation, human rights and biodiversity. On the impact dimension, Mr. Marx mentioned that despite the rise of a new extensive body of literature that has assessed the impacts of VSS on the ground, the evidence is still too limited to draw any firm conclusions.

On the adoption dimension, he added that while VSS are found in all countries, there is a considerable variation between countries that appears to align with income levels and export diversification. For VSS to have an impact, the report shows that they need to be widely adopted.

Mr. Marx also presented the challenges developing countries face in adopting VSS and outlined broad four barriers: the cost involved in obtaining VSS, the lack of incentives, the governance gaps, and opposition towards VSS.

He concluded by introducing some policy recommendations to improve VSS effectiveness including leveraging the support by donors and multilateral organizations, integrating VSS in Public Policy, further harness the market-based potential of VSS by providing more transparency to consumers, and strengthening empowerment.

### III. Discussion

1. The first discussant **Ms. Mercedes Aráoz Fernández**, Former Vice-President of Peru, Professor of Economics, Universidad del Pacifico focused on VSS governance, fragmentation and multiplicity of standards, and power imbalances along the value chains.

Ms. Aráoz signified the challenges associated with the fragmentation and multiplicity of standards that are not limited to increased cost. Harmonization, from her point of view, is a powerful solution to this problem.

She also referred to the issue of the power imbalances in the value chains. And stated that VSS schemes need to address power imbalances that marginalize producers and to place fairness at the heart of economic relations to transform trade.

Ms. Aráoz marked that it is essential to ensure VSS don't turn into a marketing tool. It is as well important to ensure they won't become a market access barrier to smallholders and producers in developing countries.

She as well outlined that if VSS are to contribute to their main objectives, i.e. sustainability, there is a need to create local markets for compliant products in developing countries. She also pointed out that it is also vital to ensure that VSS achieves not only their socio-economic objectives , but also their environmental goals.



Ms. Aráoz mentioned that while VSS are already dominant in some sectors (for example, agriculture) and are increasingly used in other sectors like fishery, they are not quite used in some industries like mining. Although it is one of the hazardous sectors for workers and could also have a damaging impact on the environment.

Ms. Aráoz outlined the roles governments could play in supporting smallholders and producers. She highlighted the need for trust in the system and the necessity of financial inclusion for farmers. She concluded by stating the importance of raising awareness and knowledge on sustainability and VSS as tools to enhance sustainable development.

2. Second discussant **Mr. Chad Blackman**, Ambassador, Permanent Representative, Permanent Mission of Barbados to the United Nations Office at Geneva raised the question of how VSS will take place as tools for transformation into prosperity and fight against inequality. He illustrated that as the concept of sustainability is becoming mainstream in the development architecture circles, the role of VSS has often come up as an instrument for delivering sustainability and a way to secure further integration in global trade.

Ambassador Blackman mentioned that climate change's impact and consequences have added to the urgency of vulnerable countries to move towards more sustainable trade.

He added that the issue of sustainable trade and VSS hits well on the theme of inequality and prosperity for all of UNCTAD 15; as these are among some the issues raised in the negotiations among the UNCTAD member states.

Ambassador Blackman focused on the challenges Small Islands Developing States (SIDS) face in integrating into global markets. SIDS continue to be challenged by the small size, both in terms of the production capacity as well as physically. In addition to their limited number of sectors for revenue. One of the most common sectors for revenue for SIDS is tourism, a sector that was primarily hit by the COVID-19 pandemic.

Ambassador Blackman stated the significance of sustainable tourism. He also mentioned that the management of global standards for Sustainable travel and tourism and international accreditation for sustainable tourism certification has been the main task of the global tourism council and has been seen as a benchmark for sustainable tourism.

While he showed the growing realization of VSS as tools for sustainable trade and market access, he as well signified the need to ensure that VSS won't act as a trade barrier to developing countries.

Ambassador Blackman concluded by signifying the role governments could play in enhancing the value of VSS. He confirmed that governments of developing countries have a critical role to play by increasing the capacity of local firms to meet VSS.

He as well raised the role developed countries need to play in ensuring that VSS are not becoming a barrier to trade. As many developing countries are raising these concerns, it is essential that VSS don't cause any unintended consequences.

3. The third discussant **Ms. Monica Rubiolo**, Head Trade Promotion, State Secretariat for Economic Affairs, Switzerland focused on three significant points; transparency, collaboration, and credibility. With regard to transparency, she signified the need for evidence on the impact of VSS. It is essential to explore what VSS are designed to achieve on the one hand, and what they do achieve on the ground



on the other hand. She highlighted the significant collaboration between SECO and different partners, including UNCTAD, UNFSS and Evidensia in conveying information on the impact of VSS.

Collaboration is another point raised by Ms. Rubiolo, and she emphasized the need for information sharing and pushing standards to collaborate and work together. She signified the need for innovation and the necessity to look into the future and make sure that VSS are innovative enough to serve what consumers and producers are looking for continually.

Given the expectations of and the ongoing discussions among the consumers on sustainability, Ms. Rubiolo discussed the new Free Trade Agreement between EFTA and Indonesia that allocates lower tariffs to palm-oil based products that are certified by recognized VSS. She added that consumers are becoming clearer on their expectations and are increasingly viewing VSS as a solid tool to convey information on how products are produced.

Given the current trend and increasing significance of VSS, Ms. Rubiolo is looking for this subject to be discussed in the WTO circle.

#### **IV. Concluding remarks**

Ms. Durant concluded the discussion by stressing the importance of collaboration, transparency, and fairness in enhancing VSS impact on sustainability.

Ms. Durant mentioned that the discussion indicates the necessity to adapt and transform our production and consumption. She highlighted the significance of the report and the dialogue brought up by the discussants in supporting the decisions to be made by different actors and stakeholders. She as well signified the responsibility of everyone to advocate and come together to ensure the proper use of VSS in order to achieve sustainability and hence, SDGs.