

G20 countries engagement with the Sustainable Development Agenda through Voluntary Sustainability Standards¹

Abstract

The COVID-19 crisis could be a catalyst for a process of structural transformation and an opportunity for increased sustainability; however, this will depend on many factors, including the ability to overcome growing economic nationalism. Therefore, multilateralism is the key to responding to post-pandemic challenges. G20 countries have a global responsibility as significant players in global trade. The G20 countries account for more than 75 per cent of global trade and thus play an important role in fostering trade and sustainability linkages. This paper analyzes the potential role of Voluntary Sustainability Standards (VSS) in enhancing Sustainable Value Chains (SVCs) and thereby supporting the three pillars of action of 2021 G20 countries and the Sustainable Development Goals (SDGs). Policy options to enhance both role and impact of SVCs are proposed in the paper: It is essential to create a collaborative environment that facilitates the transformation to SVCs; integrate sustainability practices in public policies, support sustainability-enhancing market access; and continue to provide the needed aid and support to developing countries to assist in their transformation to SVCs.

1. Introduction

The Fourth Progress Report on the G20 Action Plan released in October 2021 indicated that the G20 Action Plan has been updated to include a set of commitments to continue supporting policy response to the pandemic and steer international economic coordination toward a strong, sustainable, balanced and inclusive recovery, while preparing for the post-COVID-19 world.²

With regard to international trade, the impact of COVID-19 reveals the need to make sure that the future trading system fosters progress toward the SDGs. COVID-19 has reinforced the interdependency of the world and underlined the need for a resilient global approach towards sustainable trade. For this to take place, sustainable value chains (SVCs) could play an essential role. A value chain is considered sustainable if it has a positive or neutral impact on the natural environment (environmental sustainability); has broad-based benefits for society (social sustainability); and is profitable throughout all of its stages (economic sustainability (FAO,2014). This paper provides an overview on the role of one of the SVCs tools-Voluntary Sustainability Standards (VSS) in advancing G20 countries engagement in the sustainability and development agenda.

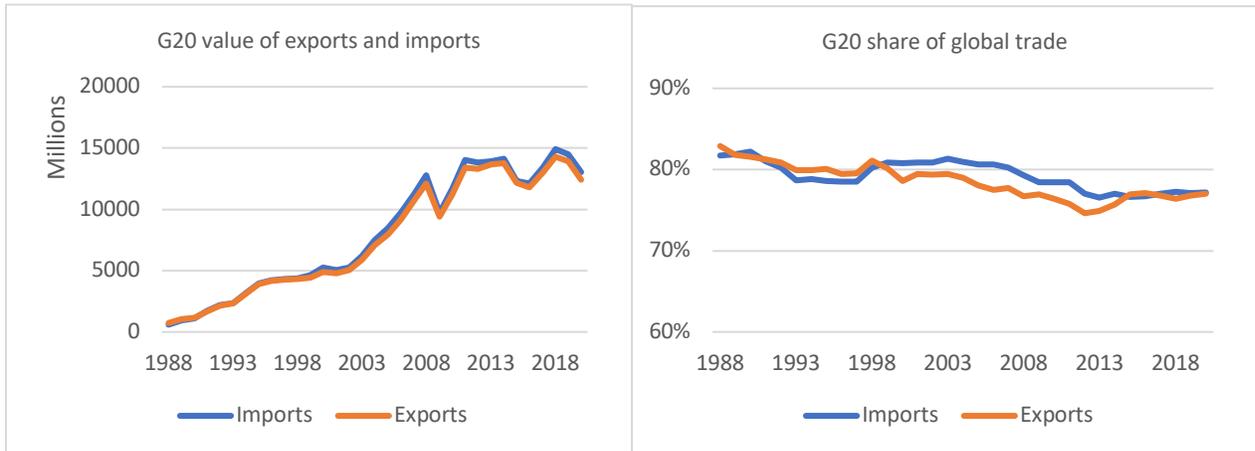
2. G20 countries as global trade partner

G20 countries account for more than 75 per cent of global trade. The value of G20 countries' exports and imports has shown an upward trend since the 80s (see Figure 1).

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² For more info please see: <https://www.g20.org/wp-content/uploads/2021/10/Annex-I-Fourth-Progress-Report-on-the-G20-Action-Plan-October-2021.pdf>

Figure 1. G20 trade value and share (1988-2020)



Source: Authors' calculation based UNCOMTRADE

COVID-19 led to implementing new trade measures by G20 countries. From October 2019 to mid-May 2020, G20 countries implemented 154 new trade and trade-related measures, 95 of them trade-facilitating and 59 trade-restrictive. Of these measures, 93 – or about 60 per cent – were linked to the COVID-19 pandemic, with 65 measures facilitating trade while 28 restricted trade flows.

To ensure that international trading system supports the long-term national and international goals of economic growth, environmental protection, and social equity, it is essential to transform the institutional policymaking framework to include sustainability and to integrate sustainability practices in public and trade policy instruments. One of the key tools that promote sustainability are voluntary sustainability standards.

3. Role of sustainability standards in advancing the three Pillars of Action of 2021 G20 countries

The 2021 G20 group, under Italian Presidency, focused on three broad, interconnected pillars of action: People, Planet, and Prosperity. The 2022 G20 under the Indonesian presidency focuses on recover stronger, recover together. That is all countries are encouraged to work together to achieve a stronger and more sustainable world recovery. This highlights sustainability and multilateralism are keys to G20 countries.

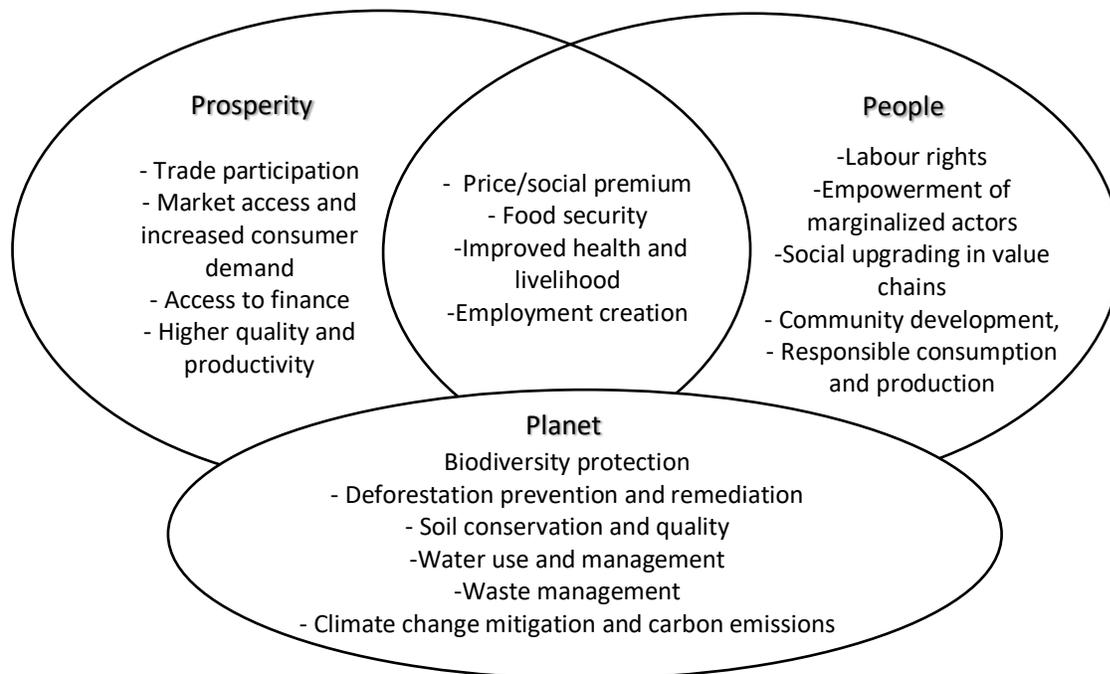
The G20 Summit ended with the adoption of the G20 Rome Leaders' Declaration by which the G20 Leaders committed to pursuing their efforts to ensure the conservation, protection and sustainable use of natural resources, to fostering sustainable and resilient food systems and agriculture innovation, and to ensuring

greater social justice; safe and healthy working conditions; and decent work for all, including within global supply chains.³

International trade is recognized as an engine for achieving the commitments above and insuring inclusive and sustainable growth. However, for it to contribute to sustainable development and therefore the 2021 G20 three pillars of action, its adverse socio-economic and environmental impacts need to be mitigated. As mentioned earlier, achieving these objectives implies the need to enhance the sustainability of the international trading system.

One of the prominent tools to advance the national and international sustainability agenda include VSS which "specify requirements that producers, traders, manufacturers, retailers or service providers may be asked to meet, relating to a wide range of sustainability metrics, including respect for basic human rights, worker health and safety, the environmental impacts of production, community relations, land use planning and others" (UNFSS,2013). Figure 2 presents some of the VSS requirements and their potential contribution to the three pillars of action of 2021 G20.

Figure 2. VSS requirements and their potential contribution to the three pillars of action of 2021 G20



³ For more please see <https://www.g20.org/wp-content/uploads/2021/10/G20-ROME-LEADERS-DECLARATION.pdf>

The number of VSS has continued to grow. Currently, there are around 306 active VSS (according to ITC Standards Map) in 194 countries and 15 sectors, and about 457 ecolabels (according to Ecolabel Index) in 199 countries, and 25 industry sectors.⁴

Their importance, in this context, lies in the fact that VSS are found in all the G20 countries. However, there is considerable variation in their presence among the countries (Please refer to UNFSS (2020)) which can be expected on the basis of the size of the economy. In addition, with some exceptions, variation in uptake level appears to more or less aligned with income levels.

While VSS covers several sectors, agriculture and food products are the most prominent with the use of VSS. Given that the 2021 G20 specifies priorities that include the sustainability and resilience of agri-food systems, VSS could work as essential tools in advancing the agri-food global supply chains sustainability, as discussed below.

3.1. Role of sustainability standards in advancing sustainable agriculture

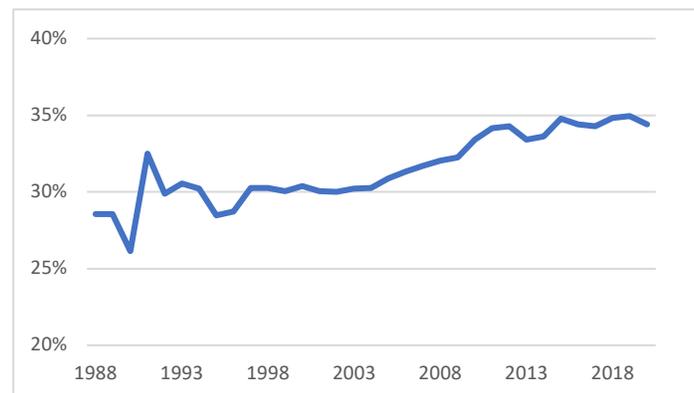
Agriculture, the backbone for developing countries, is seen as a cause and victim of various environmental problems. It contributes substantially to climate change via emissions of methane and nitrous oxides. On the one hand, agriculture is responsible for 70 per cent of projected losses in terrestrial biodiversity due to widespread land conversion, pollution and soil degradation. On the other hand, agriculture is affected adversely by the crisis; for instance, climate change is expected to change agricultural production dramatically.

The economies of many developing countries are based on the exploitation of agriculture that are correspondingly important in relation to their economic development (Lambert et al. 2020). Moreover, agriculture is the mainstay of the least developed countries (LDC) economies, underpinning their food security, and export earnings (FAO 2002). 35 per cent of the G20 agri-food imports come from developing countries. Even with ups and downs in the share of the G20 agri-food imports from developing countries, evidence illustrated a clear upward (see Figure 3).

The utilization of sustainability standards in producing developing countries could increase these countries' abilities to access developed countries markets.

The G20 countries Agriculture Ministers in their meeting in September 2021 welcomed the G20 Open Forum on Sustainable Agriculture under the Italian G20 Presidency as a step forward in promoting the wider adoption of proven, sustainable agricultural practices in rural areas

Figure 3. Share of G20 agri-food imports from developing countries
Source: Authors' calculation based UNCOMTRADE



⁴ ITC Standards Map and Ecolabel Index follow different methodologies in constructing their databases. The ITC Standards Map is more restrictive in recognizing and reviewing VSS. Also, the Ecolabel Index includes a significant number of corporate codes of conducts which are (by definition) not VSS.

for sustainable management of natural resources.⁵

The significance of the agri-food sector to developing countries development opportunities, along with the fact that developing countries represent a major trade partner to the G20, together with the urgent necessity to transform towards sustainable agriculture, all highlight and intensify the role sustainability standards could play in advancing sustainable agriculture and sustainable agri-food value chains.

4. Policy options

First: Fostering trade and sustainability linkages through the G20

The G20 is an international forum that could assist in creating more integrated policy-making on sustainable trade and SVCs. The G20 countries could as well support sustainability-enhancing market access. This is of a great significance in enhancing developing countries trade opportunities with G20 countries. Some developing countries, are not only members of this group but are also important trade partner among G20 countries.

Second: integrating sustainability standards into public policies

The G20 leadership could discuss and evaluate integrating sustainability standards in public policy instruments to make a hybrid policy-arrangements that assists in addressing the sustainability issues

Integrating VSS in trade policy

G20 countries could agree to trade negotiations that would expand the flow of goods, services, and capital that support the implementation of the SDG agenda.

Integrating VSS in public policy

The G20 governments can play an important role in upscaling VSS through trade policy and sustainable public procurement (SPP), while pursuing public sustainability commitments.

Third: Creating a collaborative environment that facilitates the transformation towards SVCs

Governments of the G20 governments need to engage with businesses and the private sector to identify better the obstacles faced when trying to produce and trade sustainably.

Creating a stronger and strategic collaboration with all stakeholders is fundamental in realizing each country-specific priorities and identifying the most suitable policies to enhance the sustainability.

Fourth: Leveraging the support to developing and least developed countries

Adopting sustainability standards and transforming towards SVCs can be challenging and costly for developing countries. For poorer countries, institutional support mechanisms to adopt and adhere to sustainability standards are essential. G20 countries can help in addressing the barriers developing countries face in adopting these standards.

⁵ For more info please see: <https://www.g20.org/wp-content/uploads/2021/09/G20-Agriculture-Ministers-Communique-Final.pdf>



The G20 could support further investigation of financing options to support developing countries and SMEs' uptake of VSS. Moreover, providing further technical support to developing and least developed countries with regard to sustainability standards to enhance their opportunities in international trade. This is especially the case for the agri-food sector, a significant trading sector between LDCs and G20 countries.

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