

Sustainability Standards in Global Value Chains: Challenges and Opportunities for Emerging Economies

Policy Dialogue, New Delhi, 7 April 2016

The discussion on sustainability standards for global production and consumption is gaining momentum in India and other emerging economies. In order to further enrich the debate from both a local and global perspective, the *German Development Institute / Deutsches Institut für Entwicklungspolitik* (DIE) and the *CII-ITC Centre of Excellence for Sustainable Development* (CESD) held a policy dialogue on 7 April in New Delhi.¹ Stakeholders and experts from India, Germany and DIE's international *Managing Global Governance* (MGG) programme engaged in lively discussions on the challenges and opportunities associated with sustainability standards. A number of specific issues of concern emerged from panellists' presentations as well as from the elaborate questions and comments from the floor.

1. Semantics: To begin with, more clarity is required around the semantics of the discussion:

(i) What is 'sustainability'? There seem to exist simultaneously many understandings and no understanding of the term 'sustainability'. For a long time 'sustainable development' was reduced to addressing mainly environmental concerns. However, the 2030 Agenda for

Sustainable Development, adopted in 2015 by 193 Heads of State, clearly reinvigorates the triple bottom line of social, environmental and economic sustainability dimensions: it is a plan of action for people, planet and prosperity with 17 interconnected Sustainable Development Goals (SDGs). These broad implications should be kept in mind when using the term 'sustainable' in the context of sustainability standards. Also, possible differential implications for industrialised, emerging and developing countries need to be discussed.

(ii) What are 'standards'? At one level, the distinction between 'regulations' and 'standards' is understood in terms of the *mandatory* (and public) nature of the former and the *voluntary* nature of the latter. However, actual usage suggests a far more flexible approach that blurs the distinctions between regulations and standards. In a narrow sense, 'standards' are restricted to voluntary certification schemes that bring 'common good' benefits through consumer preferences, but in a wider sense, the word 'standards' is used for a certain level of performance that is achieved and/or imposed, sometimes through regulation. This blurring is exacerbated by the judicial interpretations of 'standards' by international organisations like the World Trade Organization (WTO), as well as by variations of the concept such as 'guidelines' and 'norms'. Thus addressing the problems relating to the use of 'standards' must be preceded by a clear understanding of what qualifies as 'standards'.

2. Proliferation of standards: Given the steady proliferation of standards, one may need to stop and ask whether we are moving in the right direction. Are there already too many different standards covering similar fields? Will new standards undercut the legitimacy of existing

¹ **Welcome Remarks:** Shikhar Jain, CESD; Susanne Dorasil, German Embassy/Federal Ministry for Economic Cooperation and Development; Seema Arora, CESD

Sustainability Standards and Global Development: Dr. Thomas Fues, DIE (Chair); Pooran Chandra Pandey, UN Global Compact Network India; Anil Jauhri, National Accreditation Board for Certification Bodies (NABCB); Aditi Halder, Global Reporting Initiative (GRI)

Best Practices for Cooperation and Implementation: Shikhar Jain, CESD (Chair); Mani Chinnaswamy, Cotton Association of India / Textile Exchange; Jyotsna Belliappa, BlueSkyCSR; Prerna Mehrotra, Centre for Responsible Business (CRB)

Comments & Wrap-up by the Co-Directors of the MGG Research Project on Sustainability Standards: Dr. Archana Negi, Jawaharlal Nehru University (JNU), Dr. Jorge Perez, Instituto Mora (Mexico); Johannes Blankenbach, DIE

standards and, ultimately, the effectiveness of the intended outcome? ‘Standards fatigue’ can be felt among parts of the industry, and end-consumers are faced with an increasingly confusing variety of seals and labels. There is a clear need for better compatibility, harmonisation and coordination of sustainability standards.

3. Differential logic for the use of standards: A differential logic applies for the use of standards depending on the stakeholder group. Consumers, often underrepresented in academic or policy debates despite their crucial role, may choose certified products for reasons of better product quality and from a perspective of social as well as environmental responsibility. These considerations play an important role in producers’ motivations to use standards, too. Additionally, standards need to make business sense to producers so that they represent an opportunity rather than a compliance burden. Certification schemes should therefore go beyond a ‘naming and shaming’ approach but rather offer a positive peer development system.

4. Bridging the private-public divide: Sustainability standards have in many cases been established by non-state coalitions of producers, civil society organisations and companies, or by large brands themselves. In the use of sustainability standards, how are the distances between the public and the private sectors to be bridged? How are private standards to be incorporated within government policy frameworks – both at the international and the national levels? Private action may in some cases lead to public action, but in other cases support or at least validation from government structures may be required. A more robust working relationship and better coordination between the two sectors will be necessary in order to make meaningful use of sustainability standards. Public-private coordination efforts such as the newly established *Indian National Platform on Private*

Sustainability Standards are therefore a promising development.

5. Implications for India and other emerging economies: While sustainability standards have recently also emerged from within India, most of the existing schemes come from outside of the country. The same applies to other emerging economies. Given the importance of emerging economies as large production *and* consumption countries with growing middle classes, several lines of enquiry need to be followed up, e.g.: How well do standards work within emerging economies’ domestic markets, given the preferences of consumers? How equipped are domestic industries (including SMEs) to meet standards that are required in international trade? How effectively do emerging economies participate in international standard-setting? In the field of sustainability standards, the potential benefits of mutual exchange, networking and joint responses across emerging economies are huge.

6. Sustainability standards as a contribution to broader development objectives and SDGs: Sustainability standards carry a great potential to contribute meaningfully to all dimensions of sustainable development and thus to the implementation of SDGs. To strengthen the development impacts of sustainability standards and mitigate risks, however, a lot of discussion, coordination and reform still needs to take place both within and outside of current standards schemes. In general, benefit and cost sharing along sustainable value chains are to be improved in order to increase incremental benefits and remove participation barriers especially for farmers, workers and small-scale producers. The “first woman” and “first man” in the value chain should also have a better say in decision making within a standards scheme as they are among the most affected by standards application. The lack of reliable data on the broader impacts of sustainability standards is a related challenge that needs to be addressed by standards organisations, government agencies and academic institutions.