

Launch of the UNFSS report

Berlin, 21 October 2016

Statement by the Deputy Secretary- General, UNCTAD

AS PREPARED FOR DELIVERY

Ladies and Gentlemen,

Good morning.

On behalf of UNCTAD, I am honored to be here today to launch the second Flagship report of the United Nations Forum on Sustainability Standards: "Meeting Sustainability Goals: Voluntary Sustainability Standards and the role of government".

As you know, last year, global leaders agreed on a course of action for our common future. Agenda 2030 is a new, universal, comprehensive and coherent blueprint for the development of all.

This agenda goes to the heart of how we organize our societies and our economies. It demands a profound transformation in the way we produce and in the way we consume.

The challenges ahead to achieve the Sustainable Development Goals --or SDGs, as we usually call them-- are enormous. Achieving them requires the mobilization of all communities and all tools at our disposal.

And standards do play a key role in our path towards sustainability.

Standards can push the frontier of best practices of sustainable production methods. And they can also help to build trust in consumers and other stakeholders in regards to these practices.

Standards can play a pivotal role to change the base-line calculation of companies' performance. They provide a new level of engagement with the private sector on consumer and business to business products.

Ladies and Gentlemen,

We do have a new market reality.

Next to international and national standards, the number of Voluntary Sustainability Standards --or VSS - has been growing fast. There are almost 500 eco-labels in 199 countries and 25 industrial sectors.

VSS today are a tool for supply-chain management, a marketing instrument for businesses, and a tool for competitiveness. The average annual growth rate of standard compliant production, across the commodity sectors in 2012, was a stunning 41%, with sugar growing at 74%, cocoa at 69% and cotton at 55%.

VSS are also a benchmark for consumers. They help them to select "sustainable" goods and services. And demand for sustainable products in developing countries has grown even faster than in developed-country markets.

We are also seeing a continuous rise in regulatory measures world-wide. A rise that is only likely to accelerate to achieve the SDGs. For instance, currently, Sanitary and Phytosanitary measures cover more than 60% of trade in agriculture, and Technical Barriers to Trade cover almost 70% of world trade.

Yet, there are not only benefits in regulation, there are also risks and challenges.

In UNCTAD we pay particular attention to the risks of fragmentation of regulation, which disproportionately hurt SMEs and companies from developing countries.

Regulatory measures are indeed not inherently trade neutral.

For example, we have found that eliminating the trade effects of regulatory measures in G20 countries on Least Developed Countries would boost their exports to G20 by 15%. These measures applied by G20

countries reduce LDC exports by \$23 billion - more than twice the effect of current tariffs.

Ultimately, the implications of regulations on trade depend on three things: 1) the type of measures; 2) how they were adopted and, 3) how much they took into account potential effects on third countries.

Those risks are all the more true in the case of VSS used by private companies. VSS schemes can contribute to achieving sustainable development in its 3 dimensions: in the economic dimension through price premiums or ensuring a supply channel, in the social dimension through better labour standards, and in the environmental dimension through greener production.

However, private standards can also increase information and production costs and impose a negative impact on international trade. This is the case when there is a plethora of different VSS requiring separate certification.

We have also seen that such corporate sustainability standards may, in some instances, be arbitrary and not based on scientific evidence. This is not surprising considering that a few VSS primarily serve as a marketing tool. In addition, we have seen that VSS have increased their commercial influence in many developing countries, without necessarily reflecting the producers' local needs and concerns, let alone the national sustainable development strategies.

For all those reasons, the work of the UNFSS and the conclusions of this report are very important. They help us to understand how we can better harness private standards towards the achievement of the SDGs.

In particular the report highlights:

1. Firstly, we need to ensure that VSS benefit those that need it the most - rather than the traders and retailers at the end of the value chain.
2. Secondly, we need to address the lack of interoperability among the more of 400 existing standards. This enormously affects their credibility -- and spurs confusion among producers, buyers and consumers.
3. Thirdly, VSS need to be applicable at local level and operate in local contexts.
4. Fourthly, VSS need to be more affordable. Their cost of implementation and certification can be prohibitive.
5. Fifthly, VSS need to be credible, legitimate and accountable.
6. And finally, they need to have a real transformational impact. They need to bring about a major systemic change that protects natural resources and communities at local and national level.

A multi-stakeholders response is the only solution ahead and the UNFSS is instrumental in providing an inter-governmental process.

VSS are private standards and the private sector is a key partner in this. But the role of governments is critical to amplify the benefits of VSS and address their deficiencies.

This is why this report has tried to answer the critical question:

"What is the role of governments in effectively supporting VSS?"

"How can governments use VSS as a lever to support sustainable development?"

The report concludes that Governments should:

1. Set the conditions for an effective implementation of VSS, by having the adequate national policy and regulatory environment. And they should also align public policy goals with the goals of VSS to amplify their benefits.
2. Ensure VSS are relevant to local contexts and use VSS as a market enhancer for inclusive trade.

3. Facilitate multi-stakeholders partnerships for VSS, rather than take individual actions, and Public-Private Partnerships have a great potential in this.
4. Use an open inter-governmental process for ensuring VSS effectiveness and accountability.

Those conclusions are our starting point.

Other questions remain unanswered and more questions arise for this Forum. For example: questions on the need to minimize possible business rent seeking behavior; on the relationship between private standards, national standards and international standards; on the need to provide technical assistance and capacity building to developing countries; on the need of better data on the impact of standards on trade and development.

I am looking forward to the discussion today and to hearing your insightful views on those issues.

Thank you very much.