

**Launching Workshop**

**Brazilian Platform on Voluntary Sustainability Standards**

**São Paulo, 1 June 2017**

**VSS – are they an Opportunity or Barrier to Trade and what is the Role of the Private Sector?**

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# **The Key Trade Disciplines for VSS**

## **Key requirements resulting from TBT and SPS Agreements:**

- Legitimacy (needs test under SPS),
- Transparency and inclusiveness,
- Least trade restrictiveness,
- Anti-trust
- Assuring coherence between regulation & VSS

## **Inter-relationship between VSS and WTO rules:**

- VSS are a way to supplement rather static WTO rules
- Attempt to couch VSS within the WTO framework failed, the UNFSS was created against this background

## **Likely areas of tension between VSS and WTO disciplines:**

- Transparency and inclusiveness still problematic,
- National interpretation and adaptation,
- Harmonization and equivalence.

# Importance and Potential of VSS

- VSS can make significant contributions to:
  - improving quality
  - resource, energy and material efficiency
  - structural change towards more environmentally and socially sustainable production
- VSS are also a step in the direction of internalization of true social and environmental costs.
- VSS can reduce the risks that result from outsourcing of production from the North to the South (e.g. wage dumping, carbon leakage).
- For an increasing number of product groups (in particular for resource-based industries and food and agri-products), VSS have become a 'license to operate' in the market.
- If put in a constructive and supportive governmental framework, VSS can be a tool ushering into some 'transformational change'. Yet, with very few exceptions, VSS on their own are unlikely to result in 'transformational change'.

# Decisive elements for the characterization of PSS

- Who 'owns' or 'initiates' the standard and for whom is it made?
- What is the level of inclusiveness and transparency in developing and managing the standard?
- How trade restrictive is the standard?
- What is the distribution of costs and benefits of standard implementation?
- How is the legitimacy of the standard obtained and continuously assured?
- What is the real impact of the concerned VSS at company and macro-economic level; how is this impact measured and the results interpreted? In what way does the standard contribute to sustainable market transformation and to improving economic livelihoods at local level?

## Some Key Systemic Challenges of VSS

- Multiplicity and lacking interoperability of VSS – bearing on compliance costs.
- Stringent, complex and multi-dimensional standards may reinforce marginalization of smallholders and less developed regions – compounding already existing weaknesses.
- Fear that VSS might (directly or indirectly) undermine the hard-won disciplines in the WTO Agreements on TBT and SPS measures.
- Fear that Northern requirements and social preferences get imposed on developing countries.
- Risk of being used as anti-competitive instruments for achieving vested commercial interests.
- Spate of VSS may jeopardize integrity of their sustainability objectives and fuel confusion at producers' and consumers' end – “green-washing”.
- Many VSS tend to be one-dimensional on addressing risks – challenge of holistic approach.
- Most VSS have a micro-economic, not macro-economic sustainability perspective – challenge of coherence between trade and developmental impact.
- For many VSS, price premiums can either not be realized or only a minor share of an existing premium trickles through to producers. What is more, higher compliance and certification costs are rarely overcompensated for by higher productivity and thus lower production costs.
- Internationally operating food companies primarily see VSS as tool for assuring supply, increasing its quality and enlarging market shares. The general VSS sustainability impact is a ‘by product’.



THANK YOU