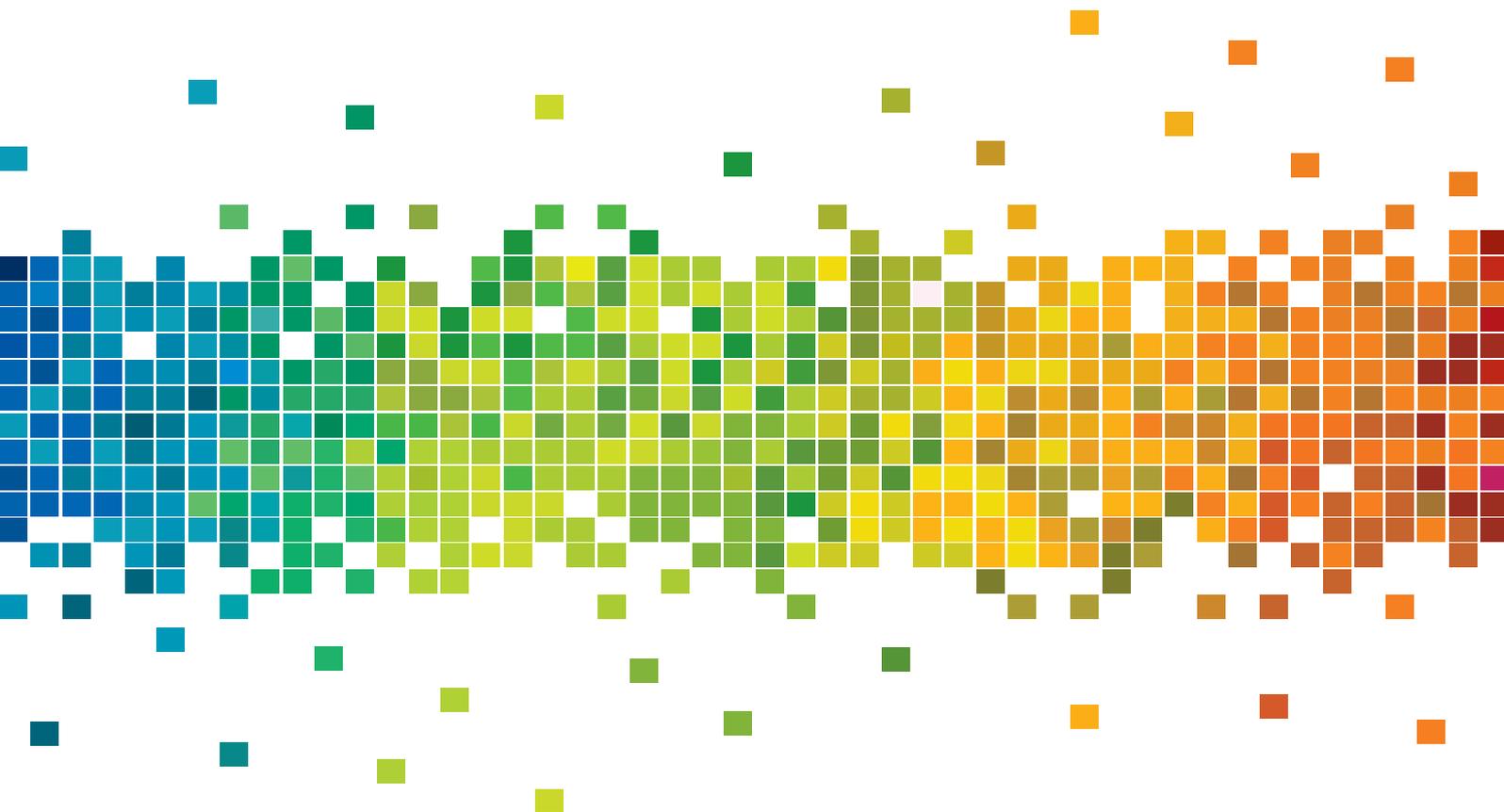




**Green Industry**  
for Global Recovery  
and Growth

**GENERAL CONFERENCE Thirteenth Session**  
9 December 2009, Vienna International Centre

REGIONAL PROGRAMME FOR EUROPE AND NEWLY INDEPENDENT STATES



## Round Table

Sustainability standards in international  
trade: hurdles or opportunities?

**Briefing note**



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



## I. Introduction

This round table will provide a global forum for a concrete exchange of views among policymakers, producers, retailers and consumer associations, as well as non-governmental organizations (NGOs) and international organizations on the current role of sustainability standards in international trade. In this context, the round table is intended (a) to contribute to a better understanding of the efficacy of sustainability standards in international trade; and (b) to explore the different types of measures to be taken to exploit opportunities and/or minimize challenges posed by sustainability standards to the trading opportunities of developing countries and countries with economies in transition.

## II. Background

The current global context presents significant interrelated challenges of climate change, energy supply, access to clean water and food security, along with increasing pressure for more ethical business practices and corporate responsibility in the areas of social security and environmental sustainability. This has led to the emergence of growing numbers of new standards, labels and associated conformity assessment practices for industrial products, processes and services. These new sustainability standards reach far beyond the traditional requirements of quality and technical matters and cover a variety of developmental, environmental and social aspects of public concern.

As a result, both the purpose of standardization and the relationship between public regulators and private “standards developers” have shifted over the past 20 years. For instance, growing numbers of public health, safety and environmental regulations, combined with stricter imposition of legal liability, have resulted in the multiplication of stricter requirements by multinational corporations and big retailers within their international value chains.

For example, the retail sector is actively engaging in this trend to maximize the marketing impact of communicating their “global citizenship”. Major retailers develop partnerships with specialized NGOs. Most leading consumer goods companies and retailers who procure on world markets have adopted a “sustainability policy” and promote either their own “sustainable” product lines or carbon footprint labelling schemes, or give high exposure to related certified products. Another case in point is the set of good agricultural practices and food safety standards developed as a response to bovine spongiform encephalopathy (BSE, commonly known as “mad cow” disease) and foot-and-mouth disease. Similar private sector reactions and rapid standardization responses can certainly also be expected in the form of various public measures, such as a corporate responsibility label or a climate change regulation.

Sustainability standards are thus no longer just a tool for harmonizing industrial formats and practices at the international level. They have, in fact, become instruments for promoting developmental change, even beyond the borders of the regulating countries. They are now a defining factor of globalization.

Sustainability standards can originate from a wide variety of sources, including regulatory institutions, standards organizations, specialized NGOs and private businesses. While few of these standards are currently developed by developing countries and countries with economies in transition, there is growing concern that an increasing

number of voluntary industrial sustainability standards might negatively impact the ability of domestic enterprises in these countries to actively participate in global production and supply chains, with consequent effects for productivity, competitiveness and growth rates. In view of the non-tariff nature of these standards, they cannot easily be tackled as part of multilateral trade negotiations—at least in the current institutional setting.

To add perspective and balance, actively promoting sustainability standards among domestic enterprises can also offer a range of opportunities. For example, as a response to the global financial crisis, many national and regional economic recovery plans, in Europe and elsewhere, contain measures to promote “green” technologies, products and jobs, as well as the use of sustainable products, equipment and services. These measures may present many new and fruitful opportunities. Public policies being introduced may have similar effects. These include incentives and/or regulatory requirements related to carbon or water footprint labelling, energy efficiency, organic agriculture or promoting the sustainable use of resources. Moreover, it is generally recognized that while global trade is not responsible for the current world challenges, it is part of the solution and also reduces economic divides.

It is not surprising, therefore, that many private and public donors, governments and intergovernmental organizations have recently taken a serious interest in sustainability standards. Projects in this area seem to be attractive to donors and investors, as well as bilateral or multilateral assistance programmes and private foundations.

### III. Issues

#### Issue 1:

#### **Is the trend towards the increased market share of products that meet sustainability standards of a short-term nature or is this a long-term trend?**

Even if today, with some exceptions, the overall market shares of “sustainable” products and services are still marginal, the share of products that meet sustainability standards is steadily growing in international trade. The fact that producers and retailers are restructuring their supply chains to introduce sustainability standards naturally impacts on their suppliers. This trend is witnessed worldwide, resulting in “sustainability” being increasingly at the heart of corporate strategies, as well as an issue for public interest, policies and public debate.

#### Issue 2:

#### **Are consumers ready to pay premium prices for such products, especially in times of economic hardship?**

Consumers and organized consumer groups, especially in developed countries, seem to follow closely and encourage the growing expansion in sustainability standards. At the same time, they also voice concerns about the proliferation of such labels and schemes, as well as about how claims are verified and communicated. As a number of surveys have shown, consumers are demanding greater clarity about the meaning and comparability of the diverse assertions made in such labels and schemes. They are also demanding more transparency and a multi-stakeholder approach in the standard-setting processes. They seem ready to pay increased prices, ranging from the marginal for daily commodities to significant increases for more luxurious products.



**Issue 3:**

**What are the trends along the value chain, from primary products to manufactured goods?**

The major and long-standing area for sustainability standards has been, and still is, the agro-food sector. New emphasis on organic agriculture, fair trade or sustainable management of resources has expanded the scope of traditional standards relating to food safety. The latter issue has itself led, in particular, to the multiplication of “private standards” developed and imposed by retailers. The scope of the products and services covered is also growing in two directions: vertically, down the value chain to cover the production and the transformation of “sustainable” raw materials or agricultural products; and horizontally, to address new product and service categories. If some markets for sustainable products remain as niches, in other areas, such as for organic agriculture, energy-efficient vehicles, domestic appliances or construction products and components, they may well become mainstream.

**Issue 4:**

**Meeting multiple sustainability standards can imply additional costs or constraints to an entrepreneur. In this case, how can the multiplication of certification and labelling schemes based on (often non-transparent) private standards be dealt with?**

The consistency and coherence of national regulations and international voluntary standards, as well as the global harmonization of related programmes are far from being achieved. This has created additional levels of confusion and segmentation. This applies not only to the standards themselves, but also to verification and conformity assessment procedures for which the various programmes have adopted quite diverse business models. It could even be argued that there are competing “sustainability” models being promoted by different programmes.

The hurdles for the producer therefore start with an information gap, enhanced by fragmentation, and sometimes by the lack of transparency of available programmes. Indeed, little consolidated information and data exist, whether on operational programmes and their actual impacts on sustainable development and on the sales they generate, or on related regulatory requirements. Producers are either faced with sustainability requirements from their clients or exposed to promotional initiatives by the operators of sustainability programmes. They have then to consider implementing the standards themselves, which may imply significant changes in their operations, as well as a call for specific investments and qualified staff. This may be due to technical constraints (e.g. substitution of chemicals for fertilizers and pesticides for organic agriculture) or management requirements (e.g. for traceability, contamination or human resources).

**Issue 5:**

**What are the financial and infrastructure constraints facing producers from developing countries or economies in transition in applying sustainability standards?**

The financial impact of implementing sustainability standards—especially for small and medium-sized enterprises (SMEs) and smaller farms—can be significant. Often producers have to absorb high costs during the transition period before they achieve compliance and become certified and can receive a premium for their sales. These costs are especially high when local assistance and conformity assessment capability is not readily available. There may be additional production and upgrading costs that are not easy to pass on to buyers and consumers.

## Issue 6:

### How can we gauge the overall impact of sustainability?

Considering the rapid expansion of this market segment, opportunities, supported by adequate capacity-building, may eventually overcome the hurdles, provided of course that due attention is paid to the choice of programmes and their suitability to local production conditions. Indeed, such programmes usually leverage natural and social assets and have positive local environmental and social impacts. They also allow the best use of natural and human resources, while paving the way for more locally added value and market premiums, especially as the scope for sustainable production methods and services broadens. Competition with “sustainable production” in industrialized countries will certainly remain, but the overall expansion in global markets for these products is such that—so far—there seems to be room for many producers. Lower production costs and shorter industrial history may in fact create real competitive advantages for developing countries and countries with economies in transition.

## IV. Questions to panellists

- What is the trend worldwide in sustainability standards development?

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- What are the reactions of consumer groups to sustainability standards?

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- How should the additional costs arising from sustainability standards implementation and certification be covered by producers, retailers or consumers?

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- How can producers in developing countries select these standards that equally benefit their “bottom line” and society? How can they deal with the multiplication of certification and labelling schemes based on (often non-transparent) private standards?

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- What are the most promising areas for implementing sustainability standards in developing countries and countries with economies in transition? What are the trends for the concept along the value chain, from primary products to manufactured goods (e.g. eco-furniture from wood supplied from sustainably managed forests, garments from bio-textiles, natural cosmetics, processed food from organic agricultural products etc.)? What opportunity does this offer for patterns of industrial development based on the voluntary application of sustainability standards?

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- What are the most pressing needs of developing countries as regards technical and institutional capacities for introducing and maintaining the capacity to meet sustainability standards? How should these actions fit into national and regional quality infrastructures? What should be the role of the retail sector? In the light of this, what types of (public-private) partnerships are needed?

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- How can UNIDO and other international development partners better assist developing countries and countries with economies in transition in meeting the challenges of sustainability standards?

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## V. Agenda

1. Welcome address and introduction: Paul Hohnen (moderator), International Expert on Sustainability Strategies
2. Keynote speech: Alan Bryden, High Council for Industry, Energy and Technology, France; former ISO Director-General
3. Panel discussion (moderated by Paul Hohnen)

Panellists:

- Markus Arbenz, Executive Director, International Federation of Organic Agriculture Movements
  - Yasemin Basar, Director, Social Compliance, Yesim Textile Company
  - Hans-Jürgen Matern, Vice-President, Strategic Quality Assurance, MGB METRO Group
  - Lalith Goonatilake, Director, Trade Capacity-building Branch, UNIDO
4. Open-floor discussion
  5. Concluding remarks by the moderator

The Director-General will participate in the discussion.

## VI. Biographies

### **Alan Bryden**

**High Council for Industry, Energy and Technology, France; former ISO Director-General**

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From 2003 to 2008, Mr. Bryden was Secretary-General of the International Organization for Standardization (ISO). He is an expert in sustainable development and previously was Director-General of the French national standardization body. He was also first Vice-President of the GATT Committee on Technical Barriers to Trade (now the World Trade Organization).

### **Paul Hohnen**

**International Expert on Sustainability Strategies**

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Mr. Hohnen has worked intensively since 1975 on a range of global economic, development and environmental issues as a diplomat, international civil servant, Director of Greenpeace International, and Strategic Director of the Global Reporting Initiative. He is now an independent consultant, and his clients include governments, intergovernmental agencies, businesses and non-profit organizations.

**Markus Arbenz**

**Executive Director of the International Federation of Organic Agriculture Movements**

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Mr. Arbenz is the former Executive Director of Bio Suisse and has worked with the Federation of the Swiss Organic Agriculture Organizations and, in Bhutan, Kyrgyzstan and Afghanistan, as a senior manager of the Kyrgyz Swiss Agriculture Programme of the Kyrgyz and Swiss Governments in collaboration with the World Bank and the International Fund for Agricultural Development. He was a director of the Swiss foundation Pro Specie Rara. Mr. Arbenz is an agronomist with a postgraduate diploma in international development.

**Yasemin Basar**

**Director, Social Compliance, Yesim Textile Company**

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Ms. Basar is responsible for establishing and executing social compliance management systems. She has been involved in multi-stakeholder and brand-driven initiatives. She is a chemical engineer and holds a degree from Istanbul Technical University.

**Hans Jürgen Matern**

**Vice-President, Strategic Quality Insurance, MGB METRO Group**

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Mr. Matern is the head of international quality assurance for the METRO Group and is in charge of customer-range strategy and product labelling. He has led the development of food quality assurance in MGB Metro in Germany since 1993 and was subsequently assigned responsibility for the non-food sector and international markets. Today, he is responsible for quality management for the procurement of goods from over 100 countries and the marketing of all product ranges in 30 countries. Mr. Matern also represents the METRO Group in a number of national and international bodies.

**Lalith Goonatilake**

**Director, Trade Capacity-building Branch of UNIDO**

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Prior to joining UNIDO, Mr. Goonatilake was Professor of Industrial Management at the University of Kelaniya in Sri Lanka. He also held the post of Sub-Dean, Faculty of Engineering and Technology at the University of Ilorin in Nigeria. He holds a doctoral degree in engineering and a Bachelor of Science degree in production engineering from the University of Aston in the United Kingdom, and a Bachelor of Science degree in economics from the University of London.



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