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Report on the Launch of the China National Platform on Voluntary Sustainability Standards

Qingdao, China

Report of the Secretariat

Launch of the China National Platform on Voluntary Sustainability Standards

27 – 30 June 2017

Context of the event

Quality Council of India (QCI) participated in the launching ceremony of the China National Platform on Voluntary Sustainability Standards (Chinese Platform) which was convened on 27 June 2017 at Qingdao, Shandong Province, People's Republic of China. QCI participated in this meeting as the Secretariat of the India National Platform on Private Sustainability Standards (Indian Platform / Indian PSS Platform), which was the first of its kind national platform on sustainability standards set up in collaboration with the United Nations Forum on Sustainability Standards (UNFSS).

The Chinese Platform has been launched under the aegis of the China Association for Standardization (CAS), Standardization Administration of the People's Republic of China (SAC), the General Administration for Quality Standardization, Inspection and Quarantine of the People's Republic of China (AQSIQ), and the Ministry of Finance and Commerce (MOFCOM). The launch event was part of the Qingdao Forum on International Standardization (QFS) held at the Shangri-La Hotel, Qingdao, from 27 to 29 June 2017. The CAS will act as the Secretariat of the Chinese Platform.

The launch event was co-organized by the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) which facilitated participation of members of its Managing Global Governance (MGG) Network.

Foundation for the Launch

The inaugural session saw Bonapas Onguglo (UNFSS/ Chief, Trade Division, UNCTAD) observing that sustainability standards are a market reality that cannot be ignored with sustainably certified goods amounting to almost \$50.3 Billion (per 2012). There are approximately 500 standards across 25 global sectors. A Nielsen survey done in 2015 shows that 66% of consumers in developing countries would prefer sustainably produced commodities. Sustainability standards have interlinkages with Global Value Chains (GVCs).

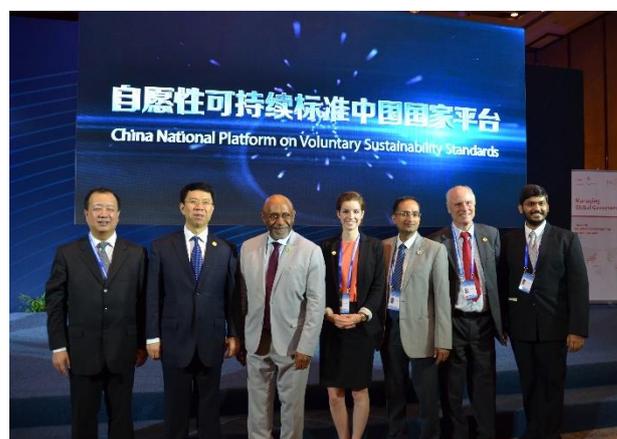


Figure 1: CAS, SAC, UNFSS, UNE, QCI and DIE at the Launch

Downsides of VSS were primarily detected to be costs of compliance which are extremely high and often onerous on the producers. A lot of it goes into developing research and testing facilities. As per the

India Story¹, 33% of the cost of sustainably produced commodities is the cost of compliance with PSS.

Ralf Becker (German Embassy in China) noted with appreciation the cooperation between Chinese institutions and the DIE. Special attention was called upon Sustainable Development Goal (SDG) 12, which aims to achieve sustainable production and consumption. It was reaffirmed that the German emphasis during its G20 presidency remains on access to finance for Micro, Small, & Medium and Enterprises (MSMEs). Appreciation was also expressed on the Sino-German Centre for Sustainable Development and the efforts of the MGG network in launching the Brazil and China VSS Platforms. Greater partnership and cooperation with China for sustainable textiles was also called upon.

Setting the backdrop

The continuing panel consisted of representatives of the German Development Institute, International Institute for Sustainable Development (IISD), CAS, and the SAC. The following was gathered from the DIE's observations on VSS and the role of Government presented by Dr. Thomas Fues:

1. Governments are indispensable for VSS.
 - a. 2030 Agenda for Sustainable Development should hold focus.
 - b. Economic upgrading is necessary for the best integration of firms with Global Value Chains.
 - c. Interest of MSMEs should be kept at the helm of VSS efforts in national contexts.
 - d. Public procurement should be an aim of the national platforms.
 - e. Political economy of VSS should be assessed and studied.
2. Coregulation by VSS bodies in context of developing countries.
 - a. Regulations have their limitations and often regulators lack capacity to regulate their sectors.
3. Momentum in emerging economies for harmonizing VSS is very promising.
 - a. India, Brazil, China being the first ones to launch national platforms comes as an unexpected welcome step.

- b. Eyes remain on Mexico, South Africa, Indonesia as VSS dialogue is gathering momentum in these countries.

4. Global Governance for VSS is essential
 - a. Global governance gap w.r.t. VSS ought to be closed.
 - i. There's no single platform for global governance of VSS.
 - ii. Stakeholders must explore creation of such an international body for setting of principles for good sustainability standards. UNFSS may be empowered to do so.
 - b. South-South cooperation is extremely essential for VSS research, policy advice, now that India, Brazil, China have pioneered this journey.
 - i. Establishment of a trust fund by international stakeholders and national platforms to support UNFSS becomes seemingly necessary.

It was also observed that the national platforms, especially the newly formed Chinese Platform, should strongly consider funding the UNFSS in its activities.

Prof. Ulrich Hoffmann (IISD), who is considered as the brain-father for conceptualization of an international platform for dialogue on VSS and the national platforms on VSS, suggested the way forward for governments in developing a framework for VSS. He proposed a surveilling, supportive and facilitating role for the governments covering standard-setting, building capacity, devising flanking policies, assuring policy coherence, and facilitating stakeholder dialogue on development and implementation of VSS. Governments are in an ever so demanding position to deliver as globalization is increasingly in crisis now owing to the recent developments in world affairs. He presented on the political economy of VSS and its limitations, and raised some pointers to consider further by the stakeholders.

When conceptualizing the National Platforms, the intention was to put VSS into a governmental framework within which the developmental opportunities of VSS (and not only business interests and agendas) would be better harnessed and risks and cost mitigated. It was also envisaged that the Platforms would effectively deal with and improve the economic sustainability of the use of VSS by small-scale

¹ Pande, M., *The India Story, Impact of Private Sustainability Standards on Market Access and Sustainable Development* (2017).

producers aimed at strengthening their livelihoods, and make sure that governmental support and adjoining policies for VSS would aim at improving economic, social and environmental sustainability at societal level and not only at specific enterprise level. It was thought to provide a counterweight to the existing power imbalance along the international supply chains and related use of restrictive business practices.

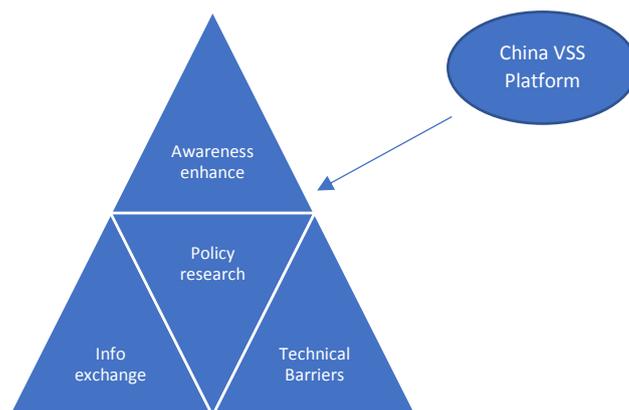
Business perspective v. Development perspective

Prof. Hoffmann also pointed out that VSS are subject to and respond to market forces: this has strengths (e.g. efficient allocation and use of resources, better quality, structural change), but also some key weaknesses (VSS on their own cannot correct & are subject to the very forces of the imperfect market that lead to socio-environmental degradation in the first place). As a result, the underlying theory of change of VSS is about finding producers that become standard-compliant at the lowest cost. Governments need to intervene to support the strengths and limit the weaknesses (this includes policies of structural change, but also support to SMEs/smallholders and measures that limit the “treadmill effect”).

In summary, VSS represent an opportunity. Research and policy analysis need to be done to build the evidence for understanding the opportunities and the challenges related to VSS. Facilitating public dialogue on policies to improve market transparency and to limit or avoid the negative influence of market externalities on VSS so that VSS really contribute to transformational change at societal and SDG level. This might become one cornerstone of the proposed Global Pact for Sustainable Trade.

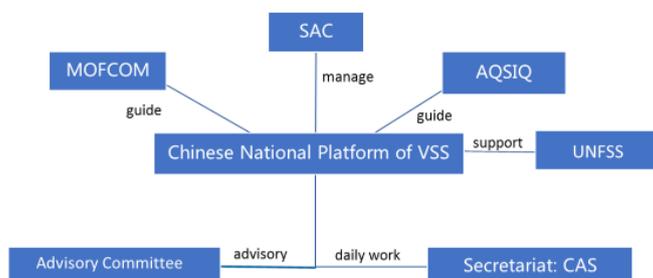
About the China National Platform on VSS

Zhang Xiuchun of CAS presented on the intricacies of the Chinese VSS Platform. VSS has greater role in economic development of China and can lead to sustainable development, as much as they can act as potential barriers to trade.



The vision of the Chinese platform has been set out as: “(In) cooperation with UNFSS, establish a unique national dialogue platform for VSS, promote the development of VSS in China.” – Vision of the Platform

Structure of the Platform has been set out as below:



China plans on building their own database for info on standards for MSMEs and for comparison of VSS

Responsibilities of the Platform have been set as follows:

1. Cooperation with UNFSS
2. Information service and communication
3. Policy studies
4. Experience exchange
5. Capacity building
6. Industry service

Upcoming tasks for the Chinese platform include capacity-building projects with the support of UNFSS and locally. The Expert Advisory Committee is also to be setup followed by holding some small-scaled meetings with experts from industry, to collect demands and advices on VSS. China is also building a database with the support of ITC to provide localized information about VSS to Chinese stakeholders.

Perspective of the UNFSS and National Platforms

The UNFSS was represented through its Steering Committee member organizations viz., UN

Conference on Trade and Development (UNCTAD), UN Industrial Development Organization (UNIDO), UN Environment (UNE), Food and Agricultural Organization of the UN (FAO), and the International Trade Centre (ITC). Each organization put forth its perspective on VSS and how to work towards resolving issues concerning them.

Secretariats of National Platforms from India and Brazil along with members of standards organizations from the MGG network were also invited to share their experiences with sustainability standards. While India and Brazil provided a walkthrough with their initiatives, members from Mexico, South Africa, and Indonesia noted that there is an increasing momentum in their countries for exploring possibilities of a body to deal with VSS.



Figure 2 Presentation of the Indian PSS Platform

With increase in use of VSS, there could be potential clashes with public standards – mainly the WTO Technical Barrier to Trade (TBT) and the Sanitary & Phytosanitary (SPS) Measures regimes. Private food standards are leading drivers in the VSS scenario, and despite their ideal placement in the ecosystem of regulations and standards, they pose numerous challenges such as duplicity, costs etc. that need intervention from governments. Examples of government support to private standards could be found in the good agricultural practices (GAP) of Kenya, South Africa, and Chile.

However, as governments become more involved in VSS, there may be grounds for trade disputes if and when standards get incorporated in government policies. This can lead to potential disputes under the WTO Dispute Settlement System. With WTO being silent on private standards, it continues to remain an unexplored Pandora's box.

The way forward is to reach a middle ground with private standards owners and explore synergies for national interpretations of global private sustainability standards through global benchmarking for national contexts. The organizations agreed that there should be international guidelines for formulation of PSS.

An essential standpoint on the matter came from the UN Environment's initiatives to see interactions of green markets and GVCs. It reaffirmed that VSS had the potential to impact implementation of SDGs and that focus areas of very sustainability standard should be determined in line with SDGs.

It was further noted by the UN organizations, standards bodies, and the national platforms that enabling actions are essential for harmonization of sustainability standards ecosystem, including multi-stakeholder standards-setting processes, trust fund for UNFSS, and capacity-building of lesser economically developing countries. This would be possible through greater South-South cooperation on these issues especially by the established national platforms.

Technical and analytical data

The ITC highlighted its initiatives that it has been taking in China, such as a Standards Map specific to China, and other tools developed for the Chinese context. The Trade for Sustainable Development (T4SD) platform stands to be a formidable source of data for best sustainability information access and exchange.

The ITC also emphasized on its availability to conduct specialized trainings on sustainability standards and GAP. There could be research provisions established with the Centre and private sector supply chains could be assessed, such as the work one by the ITC in the Chinese agriculture and textile contexts. An important proliferation myth about VSS stood busted on the fact that the maximum surge in VSS bodies came in 2008-09 after which the proliferation has seen downward trend.

Some invited private organizations also presented on the projects that they undertook to evaluate the success of their sustainability initiatives.

Informal Private Consultation of the Stakeholders

The representatives of the National Platforms, the UNFSS Steering Committee, MGG Network, and other

key stakeholders with public policy background met on the afternoon of 28 July 2017 to discuss modalities of the future of sustainability standards in the national and global contexts. The meeting also discussed the plan of action for the Geneva meetings surrounding the events at the T4SD conference of the ITC, the VSS conference of the UNCTAD, and the WTO Public Forum due in September 2017. All stakeholder organizations of this meeting are also expected to attend the Geneva meetings through support from the DIE.



Figure 3: Stakeholders at the Chinese VSS Platform Launch

UNCTAD and ITC representatives walked the stakeholders through the tentative plan of action for the meetings. The meetings would primarily focus on VSS, market access and trade-led sustainable development. Sessions on VSS enhancing sustainable gains from trade, value of multi-stakeholder approaches at national levels, and the need for global governance on VSS will compose the framework of these meetings. Prof. Hoffmann noted with emphasis that the efforts of the Harmonization and Equivalence Working Group of the UN were finally paying off after decades long research and deliberations.

Stakeholders proposed that the challenges being faced by the national platforms should also be discussed in Geneva. It was recommended by the Indian PSS Platform Secretariat that National Platforms should find their own place of recognition in the UN system for sustainable development partnerships.

Future work plans

A growing affirmation with regard to the future of sustainability standards comes in the form of

widespread agreement to support the national platforms on PSS in India, Brazil and China. The relevance of the UNFSS is ever so prominent at this point in time for it to act as a global platform which facilitates analytical studies, mutual learning and policy dialogue.

Quoting the report of the DIE on the plans for the future, derived from the Chinese platform launch:

“However, to play this role, UNFSS needs financial and political resources. Considering that industrialized governments have shown little interest so far on setting up national VSS platforms, the issue has mainly become a topic for South-South cooperation.”

report of the DIE on the plans for the future, derived from

Even in light of above, governments should continue to drive transformational change keeping SDGs in mind.

Way forward for the Indian PSS Platform

In India, PSS are seen to compete with the national regulatory institutions in defining the mandate for safety and quality. Therefore, in addition to mandatory regulations, voluntary measures affecting market access of Indian products require close consideration. India agrees that PSS are a market reality that cannot be ignored, but at the same time, the issue not receiving WTO’s attention requires exploring innovative avenues in which the issues concerning PSS can be tackled.

Enhancing trade and investment in environmentally sound technology thereby reducing the footprint of trade is one of the ways in which this can be addressed. The Indian Platform will need to play a key role in shaping a national and global governance model at the trade, investment, and environment nexus keeping in harmony with the TBT and SPS regimes. For this, a few initial steps must be undertaken for assessing the existing scenario in the respective national contexts.

Early 2017 saw an independent expert study in the Indian context which was commissioned by the UNCTAD. The study has found widespread appreciation among the UN organizations highlighting it as one of the pioneering endeavors in aggregating the PSS scenario in India specific to priority product groups. Similar studies ought to be conducted by other

national platforms to gauge the market access conditions due to sustainability standards.

Donor agencies must be identified for promoting mechanisms, research grants and international cooperation for ironing out issues relating to sustainability standards and helping producers revamp capacities for sustainable production. These will have a positive impact on trade, exports, and integration of firms with Global Value Chains, while at the same time driving the sustainability agenda in the production and manufacturing sector.

The Indian Platform also notes that an initial mapping of trade linkages with SDGs and PSS linkages with SDGs must be worked upon to identify areas which could benefit if more producers opted for sustainability certifications. Standardization must also be increasingly undertaken in the context of the SDGs and multilateral organizations with domain expertise must assist in such initiatives at the policy, institutional and private sector levels.

The Indian Platform will also explore ways in which National Platforms gain mainstream recognition in the UN system to unlock more value from partnerships with UN and related agencies. This would include deemed accreditation for the National Platforms which are being established under the collaborative aegis of the UNFSS. Such a measure will encourage participation of National Platforms at the regional and global forums on sustainable development organized by the UN system.

The Indian Platform stands in commitment with the G20 2017 Leaders' Declaration on keeping markets open noting the importance of reciprocal and mutually advantageous trade and investment frameworks and the principle of non-discrimination. The Declaration especially recognises in its Clauses 7 to 9 that Global Supply Chains can be an important source of job creation and balanced economic growth. The Leaders have stayed committed to fostering the implementation of labour, social and environmental standards and human rights in line with internationally recognised frameworks, such as the UN Guiding Principles on Business and Human Rights and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Those countries that adhere to the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines) commit to fostering them and welcome others to follow. The G20 Leaders' Declaration further suggests that countries will work towards establishing adequate policy

frameworks for business and human rights and underline the responsibility of businesses to exercise due diligence. The Indian Platform will be proactively looking at ways in which it can complement the efforts of the Indian Government to this regard.

Launch and QFS covered in other sources

UN Sources

- [UNFSS report](#)
- [UNE report](#)
- [Photos of the event, courtesy: CAS, made accessible by UNFSS](#)

Official press releases (in Chinese - Mandarin)

- [CAS](#)
- [SAC](#)
- [Qingdao Forum Standardization](#)
- [China Standardization Journal](#)

Local media coverage (in Chinese - Mandarin)

- [Media 1](#)
- [Media 2](#)
- [Media 3](#)
- [Media 4](#)

Video of the launch event

- [Video](#)

Reported by Dr. Manish Pande and Rudraneel Chattopadhyay.
