

Sustainability Standards and Their Trade Implications*

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Driven by market, consumer preferences and recent climate change discussions, the usage of 'sustainability' standards has over the last decade gained ground worldwide. Sustainability standards are largely voluntary, non-mandatory and an increasingly important component of the green economy. While on the one hand the usage of sustainability standards helps achieve several economic and environment objectives, on the other hand they can potentially act as barriers to trade in particular for small producers. This paper examines the potential trade and commercial aspects of sustainability standards in terms of their diversity, cost of incorporation and interaction with supply chains. It considers the compatibility of sustainability standards with the existing trade architecture of the World Trade Organization, drawing on relevant case law developments. Finally, it recommends the usage of international platforms such as the UNFSS and ITC Standards map, to enable product/service specific information sharing, conformity assessment and business networking.

Keywords: Sustainability, Green Economy, Trade, Standards, WTO

* This paper is the outcome of discussions and work initiated by the authors as Visiting Fellows at the Lauterpacht Centre for International Law of the University of Cambridge (2007). The authors are grateful for Joanna Gomula (Lauterpacht Centre), Robert Hamwey (UNCTAD), Benjamin Simmons (UNEP), Peter Holmes (Univ. of Sussex), and Makane Mbengue (Univ. of Geneva) for their valuable comments and suggestions.

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1. Introduction

Since the Rio+20 Conference in 2012, operationalizing the ‘green economy’ is a priority issue for developing and developed countries. Signs of the increasing shift towards a greener economy are becoming more evident. In response to the financial crisis, several countries – developing and developed - implemented strategies to boost activity in green sectors. In fact of the USD 3.3 trillion allocated worldwide to fiscal stimulus over 2008-09, around 16 percent was devoted to green expenditures including renewable energy, energy efficiency, and sustainable transport.¹

A fundamental component of the green economy is international trade. World merchandise trade in 2015 stood at USD 16.5 trillion and world trade in commercial services at USD 4.7 trillion.² Global trade has also expanded substantially with the value of merchandise trade and trade in commercial services in 2015 standing nearly twice as high as in 2005.³

The sheer volume of global trade coupled with the high level of economic integration in the world today implies that trade will significantly affect and be affected by the greening of global markets. Given this volume of trade and related growth a shift to the ‘green’ economy is likely to substantially change our patterns of consumption, production and consequently the manner we trade with each other.⁴

From the multilateral trade perspective, this transformation towards greener production involves the use of environmental measures. A key tool is the use of environment related product and process standards (sustainability standards).⁵ While, sustainability standards could act as instruments in meeting environment objectives, there is concern particularly amongst small producers as to their potential trade impacts. Further concerns relate to the design, transparency and compatibility of sustainability standards with the global trade framework, in particular the WTO.

The purpose of this paper is to examine the interlinkages between sustainability standards and the trade and commercial sphere. This paper is composed of five parts including a short Introduction and Conclusion. Part two will outline the trade and sustainability interface at the center of which lies the issue of sustainability standards. Part three will consider the trade and commercial implications of the