



**Asia-Pacific  
Economic Cooperation**

**Final Report for the 15th Sub-Committee on  
Standards and Conformance (SCSC)  
Conference:**

**Leveraging Voluntary Sustainability Standards  
(VSS) to Strengthen APEC Member Economies'  
Trade Partnerships and Economic Cooperation**

**APEC Sub-Committee on Standards and Conformance  
February 2025**





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**APEC Sub-Committee on Standards and Conformance**

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## Abbreviations

<b>ACCTS</b>	Agreement on Climate Change, Trade, and Sustainability
<b>APAC</b>	Asia Pacific Accreditation Cooperation
<b>APEC</b>	Asia-Pacific Economic Cooperation
<b>ASI</b>	Aluminium Stewardship Initiative
<b>BCI</b>	Better Cotton Initiative
<b>CPTPP</b>	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
<b>EFTA</b>	European Free Trade Association
<b>ESG</b>	Environmental, Social, and Governance
<b>EVFTA</b>	European Union-Viet Nam Free Trade Agreement
<b>FSC</b>	Forest Stewardship Council
<b>FTA</b>	Free Trade Agreement
<b>GR</b>	Good Recycled Product Certification
<b>HS</b>	Harmonized System
<b>IAF</b>	International Accreditation Forum
<b>IEC</b>	International Electrotechnical Commission
<b>INACAL</b>	National Institute of Quality (Peru)
<b>CEPA</b>	Comprehensive Economic Partnership Agreement
<b>IRMA</b>	Initiative for Responsible Mining Assurance
<b>ISEAL</b>	International Social and Environmental Accreditation and Labelling Alliance
<b>ISO</b>	International Organization for Standardization
<b>ITC</b>	International Trade Centre
<b>MLA</b>	Multilateral Recognition Arrangement
<b>NAFTA</b>	North American Free Trade Agreement
<b>NGOs</b>	Non-Governmental Organizations
<b>PEFC</b>	Programme for the Endorsement of Forest Certification
<b>PPM</b>	Processes and Production Method
<b>PTAs</b>	Preferential Trade Agreements
<b>QIS</b>	Quality Infrastructure System
<b>RSPO</b>	Roundtable on Sustainable Palm Oil
<b>SCSC</b>	Sub-Committee on Standards and Conformance
<b>SDGs</b>	Sustainable Development Goals
<b>GEA</b>	Singapore-Australia Green Economy Agreement
<b>SME</b>	Small and Medium-sized Enterprises
<b>SPS</b>	Sanitary and Phytosanitary Measures
<b>TBT</b>	Technical Barriers to Trade
<b>TESSD</b>	Trade and Environmental Sustainability Structured Discussions
<b>UN ComTrade</b>	United Nations Commodity Trade Statistics Database
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNFSS</b>	United Nations Forum on Sustainability Standards
<b>USMCA</b>	United States-Mexico-Canada Agreement
<b>VSS</b>	Voluntary Sustainability Standards
<b>WTO</b>	World Trade Organization

## Executive Summary

The Asia-Pacific Economic Cooperation (APEC) project “SCSC\_203\_2023A: 15th SCSC Conference on Standards and Conformance: Leveraging Voluntary Sustainability Standards (VSS) to strengthen APEC member economies’ trade partnerships and economic cooperation” was overseen by the National Institute of Quality of Peru (INACAL), co-organized with the United Nations Conference on Trade and Development (UNCTAD) and supported by co-sponsoring ten economies – namely, Australia; Canada; China; Indonesia; Japan; Malaysia; New Zealand; Singapore; United States; and Viet Nam.

The project aimed to promote understanding of VSS among APEC member economies, addressing both opportunities and challenges for their implementation; and to analyze how VSS interact with trade agreements to ensure coherence and synergy in promoting sustainability. It targeted sustainable and equitable growth in line with APEC’s Putrajaya Vision for 2040.

This final report compiles all the findings and lessons from (1) the diagnostic report; (2) the pre-conference survey; (3) the 15th APEC Sub-Committee on Standards and Conformance (SCSC) Conference held in Lima, Peru in 15-16 August 2024; and (4) the post-conference survey. Then, it presents policy recommendations for APEC economies.

VSS are rules that producers, traders, manufacturers, retailers or service providers may be asked to follow so that the things they make, grow or do not hurt people and the environment. These standards help keep workers healthy and safe, protect communities and land, and uphold human rights, as well as moderating the environmental impacts of production and consumption. In terms of their stakeholders, development and operation, VSS are often compared with conventional international standards.

VSS was actively adopted during 2020-2024 in almost all APEC economies, albeit the significant variation in their base VSS adoption levels. The connection between the economies’ income levels and VSS adoption levels became weaker, as evidenced by Viet Nam and Indonesia ranked with the top 3<sup>rd</sup> and 6<sup>th</sup> VSS adopting economies in APEC. APEC economies can leverage VSS to address environmental and social concerns present in the agricultural sector and the extractive and mining sector and achieve sustainable production and export.

Although VSS are non-state and market-based standards from origin, they are being integrated into public policies, often under broader discussion on sustainability issues. Trade policies are not an exception. More and more Free Trade Agreements (FTAs) and their implementation mechanisms are covering sustainability issues and VSS nowadays. Discussion on VSS is also expanding in the World Trade Organization (WTO) such as through the committees and the Trade and Environmental Sustainability Structured Discussions (TESSD). Beyond the context of trade agreements, various domestic initiatives led by standards and quality institutions in APEC economies are leveraging VSS as tools to access markets, enhance the reputation of their products for sustainable practices, and build consumer trust.

However, there are several challenges to adopt VSS and integrate them into trade policies. Firstly, amid the proliferating number of VSS, it is difficult to distinguish credible VSS – which



genuinely put efforts on and contribute to sustainability issues – from non-credible ones. Another challenge is the multiplicity of, sometimes overlapping, VSS. The other challenge is the limited capacity of stakeholders, particularly in developing economies, Small and Medium-sized Enterprises (SMEs) and marginalized groups. These challenges not only increase the costs of implementing and certifying VSS for producers and traders but also impede government officials from making optimal VSS-related trade policies.

Due to the above-mentioned evolving dynamics and underlying challenges, integrating VSS into trade policies brings opportunities and challenges related to efficiency, enforcement, flexibility, capacity building and coordination.

In concluding the project's activities, APEC member economies put forward the following policy recommendations:

**1. The 15th SCSC Conference recommends continuing to address sustainability issues and VSS in the APEC framework.**

- The post-conference survey echoed and provided details to this recommendation. Suggested follow-up work in the APEC framework is (1) to conduct capacity building activities such as training courses and awareness-raising programs through continuous engagement and communication with stakeholders; (2) to undertake next-phase projects to enhance the understanding and implementation of VSS; and (3) to facilitate policy development and coordination around VSS potentially through creating a working group or developing a consensus on standardized VSS criteria.
- Follow-up work could take such approaches as comparative analysis of VSS; sector-specific approach (such as mining sector, comparing market-led and non-market-led VSS); and ongoing monitoring of VSS initiatives within APEC.
- Substantive topics for follow-up work are mentioned in the next recommendations.

**2. Exchange experiences and information among APEC economies.**

- Encourage the exchange of experiences, best practices, and technical knowledge related to VSS among APEC economies. This could contribute to greater coherence in sustainability practices across the region.

**3. Address the proliferation and recognition of VSS, risking their credibility.**

- Concerns about the credibility of VSS (“greenwashing” issue) amid their proliferation were consistently raised and discussed from the diagnostic report through to the 15<sup>th</sup> SCSC conference.
- Develop an agreed framework to oversee the recognition of VSS.
- Establish a recognition system that can distinguish credible VSS from non-credible ones, which is essential for maintaining the trust and effectiveness of these standards. For example, substantive requirements of VSS should be based on science and internationally agreed methodologies.

**4. Promote the convergence of recognition systems including international standards.**

- The convergence of recognition systems is considered as one way to avoid the proliferation of overlapping VSS, which was also consistently raised and discussed from the diagnostic report through to the 15<sup>th</sup> SCSC conference.
- Develop recognition systems that align substantive, procedural, and value-chain requirements, ideally following existing guidelines from the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance and International Organization for Standardization (ISO)/International Electrotechnical Commission (IEC) standards.
- Mutual recognition among VSS, harmonization of VSS by creating a unified VSS scheme and certificate, and domestic standards bodies to bridge the 'grey area' between VSS and international standards, for example, by bringing VSS to ISO for joint discussion were discussed as potential means to achieve the convergence.

**5. Consider the use of accredited conformity assessments.**

- This recommendation targets the finding that the VSS ecosystem does not use accreditation as often as conventional international standards do. Conformity assessment of VSS should reflect genuine sustainability efforts through robust mechanisms to verify and monitor VSS compliance.
- Ensure that VSS are applied consistently and effectively across different economies through accredited conformity assessments.

**6. Define the roles of public and private actors related to sustainability issues and VSS.**

- The project showcased the possibility of integrating sustainability issues and VSS into FTAs. Various examples of FTAs and four types of FTA provisions (cooperation, recognition, encouragement and implementation) were presented from the diagnostic report through to the 15<sup>th</sup> SCSC conference. Also, the inclusion of each type of provision was considered generally positively.
- Define and clarify the roles of public and private actors in incorporating sustainability issues into trade agreements, including the use of VSS.
- Establish a framework that aligns with international standards and sustainable development priorities, ensuring that VSS can be integrated with clarity, consistency and stability rather than creating unnecessary trade barriers.
- Promote regulatory coherence by harmonizing VSS with domestic policies and international trade agreements, and provide financial and technical incentives to help businesses, especially SMEs, comply with VSS.

**7. Build capacity for VSS in priority sectors such as agriculture, mining, and fisheries, among others.**

- Capacity building is another issue that was consistently raised and discussed throughout the project. The focus could be on filling in the gap across sectors and sustainability purposes.

- Invest in targeted training programs and resources to empower local producers, enabling them to implement and benefit from VSS effectively.
- Strengthen the skills and knowledge of government officials and stakeholders to ensure the integration of sustainability issues and VSS into trade agreements and other relevant policies. ‘Limited access to information’, ‘lack of awareness’, and ‘inadequate infrastructure’ were mentioned as major constraints to adopt VSS in public policies.
- Increase sponsorship for broader participation and improve communication channels with stakeholders to foster cross-fora collaboration throughout the policy process.
- If economies seek to include VSS provisions in FTAs, it is important to include the provision on technical assistance and capacity building. It could support developing economies and SMEs in implementing the VSS provisions, as well as adopting and complying with VSS in markets, ensuring that they have the necessary resources and expertise.

International organizations with expertise and experience in VSS at multilateral fora could support APEC economies in this endeavor. For example, UNCTAD has supported developing economies, particularly policymakers, in utilizing VSS as an instrument to achieve SDGs. It is the secretariat of the UNFSS, an initiative of 6 United Nations Agencies – the Food and Agriculture Organization, ITC, UNCTAD, the United Nations Economic Commission for Europe, the United Nations Environment, and the United Nations Industrial Development Organization.

## 1. Introduction

APEC stands as the preeminent economic forum to foster sustainable economic growth and prosperity throughout Asia and the Pacific. APEC has 21 member economies across three continents, representing a stunning diversity – low-income nations alongside high-income powerhouses. This economic engine thrives on the exchange of goods and services, but also faces sustainability challenges because unfettered growth can have a devastating impact. Resource depletion and environmental degradation threaten long-term economic and social development. Therefore, shifting towards sustainable trade practices is crucial to prevent this future.

In 2020, the leaders of the APEC economies established the “Putrajaya Vision to 2040” by outlining the desired state of the region by 2040, which is to create “an open, dynamic, resilient, and peaceful Asia-Pacific community [...] for the prosperity of all its people and future generations”.<sup>1</sup> The vision emphasizes several key areas to achieve this goal. Those areas include:

- Trade liberalization: Promoting free and open trade and investment within the region.
- Economic integration: Enhancing regional economic integration through initiatives like trade facilitation and infrastructure development.
- Sustainable growth: Ensuring economic growth is inclusive and environmentally sustainable.

The APEC SCSC works to streamline trade within the Asia-Pacific region by aligning standards across member economies, promoting good regulatory practices for standards development, facilitating mutual recognition of conformity assessments and encouraging transparency and capacity building for businesses.<sup>2</sup>

SCSC has focused on the integration of sustainability in every trade process, raising awareness of the potential of VSS. This effort culminated to the “APEC Workshop on Understanding the Role and Impact of Voluntary Sustainability Standards (VSS) to Trade in the APEC Region”<sup>3</sup>, and the report called “APEC Compendium of Best Practices: Mainstreaming Voluntary Sustainability Standards (VSS) to Trade in the APEC Region”.<sup>4</sup> Key findings of this previous research are:

- Trade liberalization vs. sustainability: Balancing free trade with environmental and social considerations remains a complex issue. VSS, if not carefully implemented, could create trade barriers for developing economies with less established sustainability practices.
- Non-discrimination: Trade agreements emphasize fair treatment for all partners. VSS need to be designed to avoid disadvantaging certain economies.

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<sup>1</sup> APEC Putrajaya Vision 2040 (2020) Leaders’ declaration [https://www.apec.org/meeting-papers/leaders-declarations/2020/2020\\_aelm/annex-a](https://www.apec.org/meeting-papers/leaders-declarations/2020/2020_aelm/annex-a)

<sup>2</sup> SCSC <https://www.apec.org/groups/committee-on-trade-and-investment/sub-committee-on-standards-and-conformance>

<sup>3</sup> UNCTAD (Sept 2021) APEC Workshop on Understanding the Role and Impact of Voluntary Sustainability Standards (VSS) to Trade in the APEC Region <https://unctad.org/meeting/apec-workshop-understanding-role-and-impact-voluntary-sustainability-standards-vss-trade>

<sup>4</sup> APEC (Feb 2022) “APEC Compendium of Best Practices: Mainstreaming Voluntary Sustainability Standards (VSS) to Trade in the APEC Region” [https://www.apec.org/publications/2022/02/apec-compendium-of-best-practices-mainstreaming-voluntary-sustainability-standards-\(vss\)-to-trade-in-the-apec-region](https://www.apec.org/publications/2022/02/apec-compendium-of-best-practices-mainstreaming-voluntary-sustainability-standards-(vss)-to-trade-in-the-apec-region)

- Compliance costs: VSS compliance can be expensive, particularly for smaller businesses and developing economies, potentially hindering their participation in trade.
- Need for coordination: A lack of clear and consistent VSS across APEC economies can create confusion and additional burdens for businesses operating internationally.

The Compendium also highlights the potential benefits of leveraging VSS in the region:

- Increased market access: Businesses adopting VSS can gain a competitive edge in markets that prioritize sustainability standards. Clearer guidelines on VSS within trade agreements could benefit APEC economies.
- Promotion of sustainable trade: VSS can encourage environmentally and socially responsible practices within APEC economies, aligning with growing global demand for sustainable products.
- Level playing field: Open communication between governments, businesses, and VSS organizations can create a level playing field and minimize trade barriers associated with VSS compliance.

The APEC project “SCSC\_203\_2023A: 15th SCSC Conference on Standards and Conformance: Leveraging Voluntary Sustainability Standards (VSS) to strengthen APEC member economies’ trade partnerships and economic cooperation” followed the path set out in the APEC Compendium. It was overseen by INACAL of Peru, co-organized with UNCTAD and supported by co-sponsoring ten economies – namely, Australia; Canada; China; Indonesia; Japan; Malaysia; New Zealand; Singapore; United States; and Viet Nam.

It aimed to promote understanding of VSS among APEC member economies, addressing both opportunities and challenges for their implementation; and to analyze how VSS interact with trade agreements to ensure coherence and synergy in promoting sustainability.

The project consisted of the following components: (1) the diagnostic report; (2) the pre-conference survey, both of which were presented in combination as the research analysis report; (3) the 15th APEC SCSC Conference held in Lima, Peru in 15-16 August 2024; (4) the post-conference survey; and (5) the final report.

This final report compiles all the findings and lessons from previous components and presents policy recommendations for APEC economies.

## 2. Diagnostic Report

The diagnostic report focused on advancing the knowledge on the use of VSS in APEC’s trade, and exploring their potential role in trade policies. Findings from the desktop-based diagnostic report in this chapter and findings from the pre-conference survey in Chapter 3 were combined and presented to member economies under the name of “Research Analysis Report”.

## 2.1. How VSS works

The report first unpacked the mechanism of VSS. It identified the key participants in the VSS ecosystem – namely, standard setting organizations, certification and accreditation bodies, international standard organizations, producers and businesses, governments and civil society organizations – and how they develop and operate VSS.

Then, it introduced the case of conventional international standards for the comparison. It is noteworthy that the accreditation component in the VSS ecosystem is not used as often as its equivalent in the world of conventional international standards. VSS organizations which set standards often work directly with certification bodies, instead of accreditation bodies. It may be because VSS does not require accreditation to certification bodies or because certification bodies may decide not to be accredited. Less frequent use of accreditation in the compliance assessment can pose two risks. Firstly, unaccredited certification may mean the lack of oversight to uphold quality, impartiality and competence. Secondly, VSS organizations may not be able to increase the number of certification bodies swiftly in response to a sudden increase in demand for VSS uptake. Having accredited certification would strengthen the credibility of VSS, mitigate the risk of greenwashing and support international trade of VSS certified products.

For example, ISEAL alliance, comprising of VSS organizations as well as VSS certification and accreditation bodies <sup>5</sup>, favors international accreditation for social and environmental standards because it ensures certifiers from various economies meet the same standards. This creates a consistent baseline for evaluating businesses' claims and simplifies recognition of certifications globally. ISEAL enforces this by requiring its members, who use accreditation, to comply with both the relevant ISEAL Code of Good Practice for Sustainability Systems and the ISO/IEC 17011 for accreditation bodies. The ISO/IEC 17011 standard outlines requirements for the accreditation of conformity assessment bodies, including calibration and testing laboratories (regular and medical), inspection bodies, and proficiency testing providers. Accreditation bodies perform quality assurance on behalf of VSS, ensuring that certification bodies attain appropriate quality standards and established operational criteria, such as those in ISO/IEC 17065 for certifying products, processes and services, ISO/IEC 17021 for management systems, or ISO/IEC 17029 for validation and verification of sustainability claim.

In comparison, accreditation and certification bodies play a critical role in operating international standards. To instill confidence in their assessments, accreditation bodies must demonstrably operate independently and with impartiality. This often translates to them being either government-owned or established under clear agreements with the government, ensuring separation from commercial interests. Moreover, since their effectiveness hinges on global acceptance of their findings, accreditation bodies operate at a domestic, regional and even global level, but actively seek recognition from international organizations through membership and undergo peer evaluations that confirm that they perform their work competently.

One example of such an international organization is the International Accreditation Forum (IAF). It is a global association for accreditation bodies and other organizations involved in

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<sup>5</sup> ASEAL (2024) Members <https://www.isealalliance.org/iseal-community-members>

various aspects of conformity assessment.<sup>6</sup> IAF runs the multilateral recognition arrangement (MLA), through which signatory accreditation bodies mutually recognize and accept accredited certification. IAF has endorsed sustainability schemes under MLA, amongst other schemes.<sup>7</sup> Another example is the International Laboratory Accreditation Cooperation which focuses specifically on accreditation bodies that function in accordance with the ISO/IEC 17011.<sup>8</sup> The combined efforts of these organizations have led to significant progress in harmonizing international practices for accreditation across the board.

Lastly, the report highlighted Quality Infrastructure System (QIS), which feeds into both VSS and conventional standards ecosystems. QIS relies on metrology, standardization, conformity assessment and accreditation, supporting domestic industries to meet the global market requirements. A robust QIS underpins the Sustainable Development Goals (SDGs) by fostering responsible economic practices, encouraging sustainable social behaviors, and influencing individual choices towards a more sustainable future.

Developing economies often face unique challenges in participating in this global framework. Establishing and maintaining a fully functional domestic accreditation body can be resource-intensive, requiring specialized expertise that might be scarce in these economies. Furthermore, a developing economy's smaller market size might not be attractive enough to incentivize the establishment of independent conformity assessment providers. This can create a situation where these economies lack the necessary infrastructure to fully participate in international trade.

To overcome these obstacles, developing economies can explore alternative approaches. Each economy should carefully tailor its strategy to fit its specific circumstances and economic realities. Combining both domestic and foreign conformity assessment providers, supported by regional accreditation structures, could offer a viable solution.

## 2.2. VSS in APEC region

The report highlighted the current state of VSS in APEC's trade. It explored the application of VSS to agricultural sector and extractive and mining sector within the APEC region.

APEC, the world's largest exporting region, reached a value of USD24.7 trillion of exports in 2022,<sup>9</sup> accounting for nearly half of total global trade. APEC member economies represent approximately 42% of the world's population and 59% of global gross domestic product. However, rising trade barriers, the lingering effects of the pandemic, and climate change all threaten export growth within APEC. To overcome these obstacles and solidify their position in global trade, APEC economies can leverage VSS. VSS can help APEC economies address environmental and social concerns associated with production, potentially reducing trade barriers related to sustainability practices. By working together to implement VSS and

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<sup>6</sup> The IAF membership extends beyond just accreditation bodies and includes organizations involved in various aspects of conformity assessment, encompassing management systems, products, services, personnel, and other related areas. The International Accreditation Forum <https://iaf.nu/en/home/>

<sup>7</sup> The list of endorsed schemes under IAF MLA can be found here <https://iaf.nu/en/endorsed-schemes/>

<sup>8</sup> ILAC <https://ilac.org/>

<sup>9</sup> The data shown in Section 2.2 are sourced from ITC Trade Map drawing on UN ComTrade data <https://www.trademap.org>

promote sustainable production practices, APEC economies can ensure their exports remain competitive and sustainable, as well as continue to drive global prosperity.

Figure 1 shows how widely VSS were used in different economies in 2024. Tracking VSS uptake at an economy level offers insights into the spread of sustainability practices and the factors that influence their adoption. In Figure 1, both numbers of active VSS worldwide and in each economy were sourced from the International Trade Centre (ITC) Standards Map.<sup>10</sup> Then, an APEC economy's VSS adoption score was calculated as the percentage of active VSS in the economy compared to the total number of active VSS globally. A score of 100% (the maximum) would indicate a hypothetical economy where all existing VSS are active. This is unlikely because many VSS are designed for specific sectors or regions. A score of 0% (the minimum) would represent an economy with no active VSS. Lastly, the data of income level and the VSS adoption score of 2020 were respectively from the World Bank database and the 2020 United Nations Forum on Sustainability Standards (UNFSS) report.<sup>11</sup>

Figure 1. Degree of VSS adoption by economy, with income level

Source: Author's calculations based on the ITC Standards Map, the World Bank database and the 2020 UNFSS Report

Economy	Income group (World Bank)	VSS adoption score	Active VSS worldwide	Active VSS per economy	VSS adoption score
		2020	2024	2024	2024
The United States of America	High	43.85%	345	157	45.51%
The People's Republic of China	Upper middle	43.08%	345	157	45.51%
Indonesia	Lower middle	41.92%	345	137	39.71%
Peru	Upper middle	39.23%	345	137	39.71%
Mexico	Upper middle	41.15%	345	133	38.55%
Viet Nam	Lower middle	38.08%	345	133	38.55%
Thailand	Upper middle	37.31%	345	133	38.55%
Canada	High	34.23%	345	125	36.23%
Australia	High	30.77%	345	115	33.33%
Chile	High	31.92%	345	110	31.88%
Malaysia	Upper middle	31.15%	345	108	31.30%
Japan	High	29.23%	345	106	30.72%
The Republic of the Philippines	Lower middle	27.69%	345	104	30.14%
New Zealand	High	24.23%	345	94	27.25%
Hong Kong, China	High	0.00%	345	93	26.96%
The Russian Federation	Upper middle	24.62%	345	91	26.38%
The Republic of Korea	High	23.08%	345	84	24.35%
Singapore	High	22.69%	345	84	24.35%
Papua New Guinea	Lower middle	20.00%	345	59	17.10%
Brunei Darussalam	High	11.15%	345	42	12.17%
Chinese Taipei	High	N/A	345	N/A	N/A

Active VSS worldwide (May 2024): 345

Figure 1 reveals several trends in VSS adoption. An upward trend was observed during the 2020-2024 period in almost all economies, regardless of their starting point. Only four of them, shown in red, exhibited a slight downtrend. The tendency of rising VSS adoption scores across

<sup>10</sup> ITC Standards Map (May 2024) <https://standardsmap.org/en/identify>

<sup>11</sup> The World Bank (2024) Classification by income <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>; UNFSS 4th Flagship Report (2020) "Scaling up VSS through Sustainable Public Procurement and Trade Policy". Chapter 1 VSS adoption dynamics and trends [https://unfss.org/wp-content/uploads/2020/10/UNFSS-4th-Report\\_revised\\_12Oct2020.pdf](https://unfss.org/wp-content/uploads/2020/10/UNFSS-4th-Report_revised_12Oct2020.pdf)



APEC economies could be driven by various factors, such as increasing international trade after the pandemic, the growing demand for sustainable products and services, and a greater recognition of the benefits of VSS for businesses and the environment.

While all APEC economies had some active VSS, there existed significant variation. In 2024, frontrunners economies like China and the United States boasted the pack with exceptionally high adoption scores exceeding 45%. Conversely, Papua New Guinea and Brunei Darussalam demonstrated lower adoption scores, hovering below 18%. This difference in adoption scores is likely attributed to the varying economic landscapes of the economies such as size, diversity and robustness of economic structure.

Secondly, when it comes to the VSS adoption scores of economies around the world, low-income economies, and to some extent lower-middle-income ones, tend to have lower VSS adoption scores, indicating fewer active VSS compared to high or upper-middle-income economies. Larger and more developed economies tend to have more fertile ground for a wider range of VSS to take root. However, when zooming in to APEC region, the connection between economies' income level and VSS adoption scores becomes weaker. More than half of high-income economies were positioned with a lower half of VSS adoption scores. Japan, the world's third-largest economy, was unexpectedly ranked 12<sup>th</sup> among APEC economies and 35<sup>th</sup> globally in terms of VSS adoption scores, falling behind Malaysia and Chile. Similarly, VSS adoption score of the Russian Federation, the world's 11<sup>th</sup> largest economy, was ranked 16<sup>th</sup> within APEC and 58<sup>th</sup> across the world.

Interestingly, some lower-middle-income economies like Viet Nam and Indonesia were ranked high with the top 3<sup>rd</sup> and 6<sup>th</sup> scores in Figure 1. Worldwide, their scores were ranked top 5<sup>th</sup> and 10<sup>th</sup>. This suggests a potential link between VSS adoption and export-oriented industrialization policies, which these high-scoring lower-middle-income economies often implement.

The report then shed light on the agricultural sector. Figure 2 shows that APEC's agricultural export represented 9,11% of the world's agricultural export in 2022. Data were sourced from ITC Trade Map which draws on United Nations Commodity Trade Statistics Database (UN ComTrade).<sup>12</sup> Harmonized System (HS) was used to identify agricultural products and conduct further analysis. HS is a standardized numerical method of classifying traded products through HS codes.<sup>13</sup> It is used by customs authorities around the world and administrated by the World Customs Organization.<sup>14</sup>

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<sup>12</sup> ITC Trade Map. Trade statistics for international business development <https://www.trademap.org/>

<sup>13</sup> International Trade Administration. "Understanding Harmonized System (HS) Codes" <https://www.trade.gov/harmonized-system-hs-codes>

<sup>14</sup> World Customs Organization <https://www.wcoomd.org/en/topics/nomenclature/overview/what-is-the-harmonized-system.aspx>

Figure 2: Share of APEC Agri-Export to the World in (%) in 2022

Source: Author's calculations based on the ITC Trade Map drawing on UN ComTrade data<sup>15</sup>

HS CODE	Product	% APEC Exported value 2020	WORLD Exported value 2022	APEC Exported value 2022	% APEC Exported value 2022	Growth & Market share
			<i>(Unit: US Dollar thousand)</i>			<i>(% Point)</i>
40	Rubber and articles thereof	53%	220'671'875	121'603'522	55.1%	2.1%
15	Animal, vegetable or microbial fats and oils and their cleavage products; prepared edible fats;	54%	175'587'465	89'944'865	51.2%	-2.8%
44	Wood and articles of wood; wood charcoal	52%	183'554'397	84'918'731	46.3%	-5.7%
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	41%	212'425'358	83'116'559	39.1%	-1.9%
10	Cereals	44%	179'897'281	75'295'118	41.9%	-2.1%
03	Fish and crustaceans, molluscs and other aquatic invertebrates	48%	147'436'421	64'097'514	43.5%	-4.5%
08	Edible fruit and nuts; peel of citrus fruit or melons	46%	139'323'186	63'800'005	45.8%	-0.2%
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	41%	152'515'795	62'061'828	40.7%	-0.3%
02	Meat and edible meat offal	35%	165'028'881	58'517'999	35.5%	0.5%
21	Miscellaneous edible preparations	44%	99'337'301	43'775'152	44.1%	0.1%
22	Beverages, spirits and vinegar	24%	147'931'178	41'901'505	28.3%	4.3%
23	Residues and waste from the food industries; prepared animal fodder	33%	108'444'751	37'455'706	34.5%	1.5%
07	Edible vegetables and certain roots and tubers	38%	85'101'385	37'369'568	43.9%	5.9%
52	Cotton	56%	63'725'581	33'664'310	52.8%	-3.2%
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	32%	97'362'921	31'376'298	32.2%	0.2%
16	Preparations of meat, of fish, of crustaceans, molluscs or other aquatic invertebrates	51%	62'342'529	31'023'597	49.8%	-1.2%
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper	55%	58'318'104	29'927'864	51.3%	-3.7%
20	Preparations of vegetables, fruit, nuts or other parts of plants	35%	78'427'419	29'422'452	37.5%	2.5%
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere	25%	114'053'355	28'999'484	25.4%	0.4%
09	Coffee, tea, maté and spices	27%	68'386'354	16'354'107	23.9%	-3.1%
17	Sugars and sugar confectionery	29%	58'274'639	15'229'428	26.1%	-2.9%
24	Tobacco and manufactured tobacco substitutes; products, whether or not containing nicotine	23%	53'050'784	14'253'517	26.9%	3.9%
18	Cocoa and cocoa preparations	20%	55'047'857	11'118'479	20.2%	0.2%
11	Products of the milling industry; malt; starches; inulin; wheat gluten	35%	28'236'716	9'563'079	33.9%	-1.1%
01	Live animals	29%	23'684'022	6'989'189	29.5%	0.5%
05	Products of animal origin, not elsewhere specified or included	48%	11'900'385	5'401'138	45.4%	-2.6%
13	Lac; gums, resins and other vegetable saps and extracts	40%	11'067'218	4'916'538	44.4%	4.4%
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	9%	25'513'470	2'828'103	11.1%	2.1%
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	65%	1'688'247	1'206'212	71.4%	6.4%
	<b>Total Agri-products (01-24)+(40)+(44)+(47)+(48)+(52)</b>		<b>2'828'334'875</b>	<b>1'136'131'867</b>	<b>40.2%</b>	
	<b>Total (All products)</b>		<b>24'707'495'156</b>	<b>12'468'328'703</b>	<b>50.5%</b>	

Agricultural export plays a key role in the social and economic development of the region. The issues of food security, food safety and sustainable agricultural development are of critical importance to the region. Additionally, there is a strong demand for sustainably produced agricultural products, as evidenced by the dominant presence of VSS in the agricultural sector. According to the 2020 UNFSS report, the largest number of VSS can be found in the agricultural sector and a trend can be observed in the existing literature on VSS, which finds a significant focus on agricultural commodities.<sup>16</sup>

Below are key agricultural products for which APEC economies have a dominant share of global export and examples of major VSS that are applicable to the key products.

<sup>15</sup> ITC Trade Map. Trade statistics for international business development <https://www.trademap.org/>

<sup>16</sup> UNFSS 4th Flagship Report (2020) "Scaling up VSS through Sustainable Public Procurement and Trade Policy". Chapter 1 VSS adoption dynamics and trends. Page 8, Evolution of certified commodities and cropland area [https://unfss.org/wp-content/uploads/2020/10/UNFSS-4th-Report\\_revised\\_12Oct2020.pdf](https://unfss.org/wp-content/uploads/2020/10/UNFSS-4th-Report_revised_12Oct2020.pdf)

- Cotton including raw cotton, cotton yarn, cotton waste, and woven fabrics of cotton (HS code 52): 52.8% of global export of cotton came from APEC economies. Main exporters were China (21%); United States (17%); Viet Nam (5%); and Australia (5%).

The Better Cotton Initiative (BCI) is a leading VSS in the cotton industry, certifying at least 6.7 million hectares or a minimum of 20.3% of the global cotton area.<sup>17</sup> Sustainability focus pursued by BCI and BCI-certified businesses varies across APEC economies. For example, in China, the largest BCI-certified producer worldwide, the weight is put on addressing uncertain cotton prices, extreme weather and natural disasters threatening healthy and profitable yields. In the United States, BCI-certified farmers aim to respond sustainability challenges such as herbicide resistance, soil erosion, and regional irrigation water shortages. In Australia, cotton is a very productive crop, well above the world average yield. Farmers are increasingly adopting best practices in water management to keep water resources.

- Animal or vegetable fats and oils and their cleavage products; prepared animal fats; animal or vegetable waxes including palm oil, coconut oil, rapeseed oil and soybean oil (HS 15): APEC economies took up 51.2% of global export of this product group. Particularly, APEC region had an absolute dominant share of world export of palm oil, taking up 85% in terms of export value in 2022. Top exporters were Indonesia with 49% world export share and Malaysia with 30%.

The Roundtable on Sustainable Palm Oil (RSPO) certified at least 3.5 million hectares or a minimum of 12.1% of the global oil palm area in 2021.<sup>18</sup> RSPO is present in seventeen APEC economies including Indonesia and Malaysia. The RSPO had certified over 2.3 million hectares in Indonesia - 40% of Indonesian forests – by 2021.<sup>19</sup> The oil palm plantation certified by RSPO for the first time in the world in 2008 was located in Malaysia.<sup>20</sup> RSPO empowers smallholders in Malaysia to access international market.<sup>21</sup> Malaysian Sustainable Palm Oil certification, mandatory since 2020, complements the RSPO by ensuring sustainable practices across the entire palm oil supply chain.

- Rubber and articles thereof, including raw and processed natural rubber and rubber articles (HS code 40): APEC's share of this product group in world exports was 55.1%.
- Wood products (HS code 44): APEC economies dominated global wood exports in 2022, accounting for nearly half (46.3%) of the total wood exports. Canada and China were major exporters, each exceeding 10%, followed by the United States and the Russian Federation.<sup>22</sup>

<sup>17</sup> Certified Cotton area worldwide 2008-2021. ITC Standards Map <https://digital.intracen.org/ssm/state-sustainable-markets-2023/cotton>

<https://standardsmap.org/en/factsheet/2/overview?name=Better%20Cotton>

<sup>18</sup> Palm Oil. ITC Standards Map <https://standardsmap.org/en/trends>

<sup>19</sup> SPOS Indonesia, June 2022. [https://www.sposindonesia.org/wp-content/uploads/2022/06/Information-Brief\\_THE-COMPARISON-OF-ISPO-and-RSPO-SPOSI-KEHATI.pdf](https://www.sposindonesia.org/wp-content/uploads/2022/06/Information-Brief_THE-COMPARISON-OF-ISPO-and-RSPO-SPOSI-KEHATI.pdf)

<sup>20</sup> RSPO Annual communication of progress (2018) Chapter 7.1 Page 8 [https://www.rspo.org/wp-content/uploads/United\\_Plantations\\_Bhd-ACOP2018.pdf](https://www.rspo.org/wp-content/uploads/United_Plantations_Bhd-ACOP2018.pdf)

<sup>21</sup> Business Today <https://www.businesstoday.com.my/2023/08/25/rspo-aids-oil-palm-smallholders-to-sell-in-international-market/>

<sup>22</sup> ITC Trade Map. Trade statistics for international business development <https://www.trademap.org/>

Programme for the Endorsement of Forest Certification (PEFC)<sup>23</sup> and Forest Stewardship Council (FSC)<sup>24</sup> are two major VSS promoting responsible forest management within APEC economies. They cover both rubber and wood products. PEFC allows individual economies to design their own certification systems. Examples include “Malaysian Timber Certification Scheme” and “Korea Forest Certification Council”. As of 2021, over 328 million hectares of forests worldwide were PEFC-certified, with Canada leading the way. Meanwhile, FSC certified over 230 million hectares of forests, with the Russian Federation holding the largest area at almost 62 million hectares.<sup>25</sup> However, FSC certification in Russia ended in 2022 due to political concerns.

Figure 3 shows that APEC’s extractive and mining export accounted for 42,1% of the world’s extractive and mining export in 2022, using the same methodology. APEC economies held a 40% to 60% of global market in most product groups under HS codes 25 to 29 and 70 to 81.

Figure 3: Share of APEC Extractive/Mining Export to the world in (%) in 2022

Source: Author’s calculations based on the ITC Trade Map drawing on UN ComTrade data<sup>26</sup>

HS CODE	Product	% APEC Exported value 2020	WORLD Exported value 2022	APEC Exported value 2022	% APEC Exported value 2022	Growth & Market share
			<i>(Unit: US Dollar thousand)</i>			<i>(% Point)</i>
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	38.4%	4'125'949'391	1'551'977'425	37.6%	-0.8%
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin	44.0%	916'963'269	354'627'595	38.7%	-5.3%
72	Iron and steel	44.6%	570'425'569	267'071'484	46.8%	2.2%
29	Organic chemicals	41.3%	541'159'780	249'746'082	46.2%	4.8%
26	Ores, slag and ash	64.4%	327'618'493	206'596'583	63.1%	-1.3%
73	Articles of iron or steel	48.8%	399'035'095	202'932'007	50.9%	2.1%
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	50.3%	230'653'640	126'232'845	54.7%	4.4%
76	Aluminium and articles thereof	42.2%	279'832'986	118'962'287	42.5%	0.3%
74	Copper and articles thereof	49.2%	218'699'630	106'178'767	48.6%	-0.6%
70	Glass and glassware	54.6%	93'329'906	50'687'362	54.3%	-0.3%
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	34.9%	65'513'308	26'294'998	40.1%	5.2%
75	Nickel and articles thereof	51.7%	44'305'155	25'165'950	56.8%	5.1%
81	Other base metals; cermets; articles thereof	58.6%	24'103'049	14'493'505	60.1%	1.5%
79	Zinc and articles thereof	41.8%	23'136'388	9'496'417	41.0%	-0.8%
80	Tin and articles thereof	71.7%	8'522'784	5'887'473	69.1%	-2.6%
78	Lead and articles thereof	43.8%	8'576'278	3'523'511	41.1%	-2.8%
	<b>Total Extractive mining (25-29)+(70-81)</b>		<b>7'877'824'721</b>	<b>3'319'874'291</b>	<b>42.1%</b>	
	<b>Total All products</b>		<b>24'707'495'155</b>	<b>12'468'328'703</b>	<b>50.5%</b>	

The extractive and mining sector is directly linked to economic, environmental and social aspects for some APEC economies. Pollution, biodiversity loss, community displacement, and human rights abuses are some of the potential consequences of poorly managed extractive and mining operations. Communities can be affected by social problems such as displacement, poverty, and conflict. Public pressure, investor concerns, and tightening

<sup>23</sup> PEFC <https://www.pefc.org/>

<sup>24</sup> FSC <https://fsc.org/en>

<sup>25</sup> ITC Standards Map. Trends 2021 <https://www.standardsmap.org/en/trends>

<sup>26</sup> ITC Trade Map. Trade statistics for international business development <https://www.trademap.org/>

regulations have driven the need for the extractive and mining sector to become more sustainable, leading to the birth of VSS initiatives.

Below are key extractive and mining products for which APEC economies have a dominant share of global export and examples of major VSS that are applicable to the key products.

- Precious metals and gemstones (HS 71): APEC economies had a global market share of 38.7%. The United States; the Russian Federation; China; Hong Kong, China; and Canada were the main exporters. Also, it was the second most important product group (based on HS codes) for Peruvian exports.

There exists a VSS in gold sector: the Fairtrade Gold Standard.<sup>27</sup> It empowers miners to improve their working environment through strict requirements covering working conditions, occupational health and safety, responsible chemical handling, women's rights, child labor prevention, and environmental protection including water sources and forests. Peruvian artisanal and small-scale miners have been active participants in the Fairtrade certification process, promoting fair labor conditions and responsible environmental practices, demonstrating their commitment to responsible mining.<sup>28</sup>

- Iron and steel (HS 72): APEC region had a global market share of 46.8%. China; Japan; the Republic of Korea; Indonesia; and the Russian Federation among others were the main exporters.

The Responsible Steel develops standards and certifies responsible steel production across the supply chain, addressing issues such as conflict minerals, child labor, and environmental stewardship.

- Ores, slag, and ash (HS 26): This world's 12th most traded product group represented a crucial source of raw materials for various industries. APEC was a global powerhouse led by Australia; Chile and Peru with a global market share of 63.1%.

The Aluminium Stewardship Initiative (ASI) is a global standard for responsible aluminum production across the entire supply chain.<sup>29</sup> It sets voluntary codes for tailings management and labor rights to life cycle analysis and indigenous rights. ASI is a multi-stakeholder forum that both develops protocols and certifies businesses.

In addition to VSS on specific minerals and metals, the initiatives have resulted in the creation of framework-level protocols, corporate commitments and certification schemes including third-party verification systems to assess compliance with a particular standard or corporate commitments. In parallel, there exists an initiative to address challenges posed by the proliferation of VSS, which makes it difficult for stakeholders to navigate and compare VSS. For example, the Copper Mark,<sup>30</sup> the International Council on Mining and Metals,<sup>31</sup> the Mining

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<sup>27</sup> Fairtrade Gold Standard <https://www.fairtrade.net/standard/gold>

<sup>28</sup> Responsible Peruvian Gold (2021-2024) <https://europeanpartnership-responsibleminerals.eu/page/view/a1aacdfc-bd89-4371-87c2-420f701f1d84/responsible-peruvian-gold>

<sup>29</sup> ASI <https://aluminium-stewardship.org/>

<sup>30</sup> Copper Mark <https://coppermark.org/>

<sup>31</sup> International Council on Mining and Metals <https://www.icmm.com/>

Association of Canada,<sup>32</sup> and the World Gold Council<sup>33</sup> are working on the Consolidated Mining Standard Initiative to consolidate their voluntary mining standards, increasing consistency and reducing complexity in the standards landscape.<sup>34</sup>

## 2.3. VSS in trade policies

The report moved on to the intersection of VSS and trade policies. While VSS can be included in trade policy instruments, namely, FTAs, Preferential Trade Agreements (PTAs), market access regulations, and export promotion initiatives, the report examined in depth how VSS are integrated in FTAs. The report then dived into how the existing WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and the WTO Agreement on Technical Barriers to Trade (TBT Agreement) interact with VSS.

### 2.3.1. VSS in FTAs: four types of provisions

Rather than using the term “VSS” directly, FTAs have used various terms which could cover the concept of VSS and beyond such as “eco-labelling,” “sustainability standards,” or “certifications”. FTA which mentions VSS or the similar terms appeared for the first time in 1992 in the North American Free Trade Agreement (NAFTA) and the number increased from mid-2000.<sup>35</sup> The year 2018 marked the zenith of this trend, with 10 out of 16 FTAs examined that year referring to VSS.<sup>36</sup> Inclusion of VSS in FTAs was continuously observed from 2018 to 2023, recording nearly half of the newly concluded agreements - 29 out of 61– and adding up to the total of 48 in 2023.

Two elements could be behind this accelerating trend. One element is the increased presence of sustainability chapters in FTAs, alongside broader environmental and social clauses. The other element is that accumulating precedents of including VSS in FTAs lowers signatories’ burden of negotiating and implementing provisions on VSS.

A significant portion of these FTAs have involved at least one APEC economy, underscoring APEC’s crucial role in fostering regional trade and economic collaboration. Canada; Indonesia; Japan; Republic of Korea; Singapore; the United States; and Viet Nam are among the most active APEC economies. Some FTAs have been concluded between or among APEC economies, while other FTAs with non-APEC member economies. Some of the most frequent non-APEC partners are the European Union, the European Free Trade Association (EFTA) and the United Kingdom.

VSS have been integrated into FTAs through the provisions to (1) cooperate on VSS; (2) recognize the importance and/or role of VSS; (3) encourage the development and/or use of VSS; and (4) implement VSS. The provisions have evolved from low-level and abstract

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<sup>32</sup> Mining Association of Canada <https://mining.ca/>

<sup>33</sup> World Gold Council <https://www.gold.org/>

<sup>34</sup> Consolidated Mining Standard Initiative <https://miningstandardinitiative.org/>

<sup>35</sup> UNFSS 4th Flagship Report (2020) “Scaling up VSS through Sustainable Public Procurement and Trade Policy”. Chapter 3, Page 38 [https://unfss.org/wp-content/uploads/2020/10/UNFSS-4th-Report\\_revised\\_12Oct2020.pdf](https://unfss.org/wp-content/uploads/2020/10/UNFSS-4th-Report_revised_12Oct2020.pdf)

<sup>36</sup> IISD (Apr 2024) “Will the Inclusion of Voluntary Standards in Trade Agreements Lead to More Sustainable Trade?” <https://www.iisd.org/publications/brief/ssi-voluntary-standards-agreements-sustainable-trade>

commitments to high-level and concrete commitments. Also, one FTA can have several provisions.

First, a provision to cooperate on VSS can take various forms and levels of detail, ranging from simply acknowledging VSSs as a potential area for future cooperation to listing concrete ways to exchange information such as workshops, seminar and studies. Examples are:

- **Japan-United Kingdom Comprehensive Economic Partnership Agreement**<sup>37</sup>

*[Article 16.12 (Cooperation) of Chapter 16 (Trade and Sustainable Development)]*

*Recognising the importance of cooperation on trade-related and investment-related aspects of environmental and labour policies in order to achieve the objectives of this Agreement, **the Parties may, inter alia:** ...*

*(d) **cooperate on labelling schemes, including through the exchange of information on eco-labels, as well as other measures and initiatives that contribute to sustainability, including as appropriate fair and ethical trade schemes...***

- **The European Union-Viet Nam Free Trade Agreement (EVFTA)**<sup>38</sup>

*[Article 13.14 (Working Together on Trade and Sustainable Development) of Chapter 13 (Trade and sustainable development)]*

*1. **The Parties, ... may work together in, inter alia, the following areas:**...*

*(h) **sharing information and experience about certification and labelling schemes, including eco-labelling;**...*

*3. In accordance with Chapter 16 (Cooperation and Capacity Building), the Parties may work together in the areas referred to in paragraph 1 **by means of, inter alia:***

***(a) workshops, seminars, training and dialogues to share knowledge, experiences and best practices;***

***(b) studies; and***

***(c) technical assistance and capacity building, as appropriate.***

*The Parties may agree other forms of cooperation.*

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<sup>37</sup> The United Kingdom–Japan Comprehensive Economic Partnership Agreement (Tokyo 2020). Pages 331-332 [https://assets.publishing.service.gov.uk/media/5f92ecb8d3bf7f35f06ae3bd/CS\\_Japan\\_1.2020\\_UK\\_Japan\\_Agreement\\_Comprehensive\\_Economic\\_Partnership\\_v1.pdf](https://assets.publishing.service.gov.uk/media/5f92ecb8d3bf7f35f06ae3bd/CS_Japan_1.2020_UK_Japan_Agreement_Comprehensive_Economic_Partnership_v1.pdf)

<sup>38</sup> EVFTA <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2020:186:FULL&from=EN#page=132>

- **Singapore-Australia Green Economy Agreement (Singapore-Australia GEA)**<sup>39</sup>

The Singapore-Australia GEA identifies seven areas of cooperation under Paragraph 9 and two areas could be related to VSS. One area is “(b) *Standards and Conformance*” where the two economies “will collaborate to ... (iii) *encourage, where appropriate, the adoption and development of international standards relating to the green economy*”.<sup>40</sup> A practical initiative to that end is outlined in Annex B 2.1 (Standards and Conformance Collaboration), which includes “*exchange of information and experiences around domestic or international green and environmental standards and conformance matters*”.<sup>41</sup>

Another area is “(g) *Engagements and partnerships*” where the two economies “will collaborate” by “(vi) *facilitate[ing] potential partnerships, including between ecolabelling organisations operating in both [economies] to promote global best practice and interoperability, and to help drive demand for low carbon, sustainable and resource-efficient solutions...*”.<sup>42</sup> A practical initiative outlined in Annex B 6.3 (Fostering Cooperation on Ecolabelling and Related Sustainability Schemes) states to “introduce contacts within leading ecolabelling organisations and related sustainability schemes operating in [their economies] to each other.”<sup>43</sup>

Second, a provision can recognize the role of VSS in achieving social and environmental objectives. Examples are:

- **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**<sup>44</sup>

*[Article 20.11 (Voluntary Mechanisms to Enhance Environmental Performance) of Chapter 20 (Environment)]*

**1. The Parties recognise that flexible, voluntary mechanisms, for example, voluntary auditing and reporting, market-based incentives, voluntary sharing of information and expertise, and public-private partnerships, can contribute to the achievement and maintenance of high levels of environmental protection and complement domestic regulatory measures...**

Third, a provision that encourages the development or use of voluntary mechanisms for sustainability often follows the provision recognizing the role of VSS. Some FTAs stay at agreeing on the promotion, while other FTAs take a further step and set principles and criteria for the development and use of VSS. Examples are:

<sup>39</sup> Singapore-Australia GEA <https://www.dfat.gov.au/geo/singapore/singapore-australia-green-economy-agreement/singapore-australia-green-economy-agreement-text#areas>

<sup>40</sup> Singapore-Australia GEA <https://www.dfat.gov.au/geo/singapore/singapore-australia-green-economy-agreement/singapore-australia-green-economy-agreement-text#areas>

<sup>41</sup> Singapore-Australia GEA Annex B 2.1 <https://www.dfat.gov.au/countries-and-regions/singapore-australia-green-economy-agreement-annexes/annex-b-21-standards-and-conformance-collaboration>

<sup>42</sup> Singapore-Australia GEA <https://www.dfat.gov.au/geo/singapore/singapore-australia-green-economy-agreement/singapore-australia-green-economy-agreement-text#areas>

<sup>43</sup> Singapore-Australia GEA Annex B 6.3 <https://www.dfat.gov.au/countries-and-regions/singapore-australia-green-economy-agreement-annexes/annex-b-63-fostering-cooperation-ecolabelling-and-related-sustainability-schemes>

<sup>44</sup> CPTPP Chapter 20, Page 9 <https://www.dfat.gov.au/sites/default/files/20-environment.pdf>



- **The United States-Peru Trade Promotion Agreement**<sup>45</sup>

[Article 18.5 (Mechanisms to Enhance Environmental Performance) of Chapter 18 (Environment)]

1. The Parties recognize that flexible, voluntary, and incentive-based mechanisms can contribute to the achievement and maintenance of environmental protection, complementing the procedures set out in Article 18.4, as appropriate, and in accordance with its law and policy, **each Party shall encourage the development and use of such mechanisms, which may include:...**

(b) incentives, including **market-based incentives** where appropriate, to encourage conservation, restoration, sustainable use, and protection of natural resources and the environment, such as public recognition of facilities or enterprises that are superior environmental performers, or programs for exchanging permits or other instruments to help achieve environmental goals.

- **The United States-Mexico-Canada Agreement (USMCA)**<sup>46</sup>

[Article 24.14 (Voluntary Mechanisms to Enhance Environmental Performance) of Chapter 24 (Environment)]

1. The Parties recognize that flexible, voluntary mechanisms, for example, voluntary auditing and reporting, market-based mechanisms, ... can contribute... The Parties also recognize that **those mechanisms should be designed in a manner that maximizes their environmental benefits and avoids the creation of unnecessary barriers to trade.**

2. Therefore, in accordance with its laws, regulations, or policies and to the extent it considers appropriate, **each Party shall encourage:**

(a) **the use of flexible, voluntary mechanisms** to protect the environment and natural resources, such as through the conservation and sustainable use of those resources, in its territory; and...

3. Further, if private sector entities or non-governmental organizations develop voluntary mechanisms for the promotion of products based on their environmental qualities, **each Party should encourage those entities and organizations to develop voluntary mechanisms that, among other things:**

(a) **are truthful, are not misleading, and take into account relevant scientific and technical information;**

(b) **are based on relevant international standards, recommendations, guidelines, or best practices, as appropriate;**

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<sup>45</sup> The United States-Peru Trade Promotion Agreement <https://ustr.gov/trade-agreements/free-trade-agreements/peru-tpa/final-text>

<sup>46</sup> USMCA <https://www.cbp.gov/trade/priority-issues/trade-agreements/free-trade-agreements/USMCA>

**(c) promote competition and innovation; and**

**(d) do not treat a product less favourably on the basis of origin.**

Fourth, the most recent development about the inclusion of VSS in FTAs is the appearance of the provision to implement specific VSS. Economies can leverage VSS to ensure compliance with an FTA's sustainability objectives by requiring compliance with specific VSS. One example is:

- **Indonesia-European Free Trade Association Comprehensive Economic Partnership Agreement (Indonesia-EFTA CEPA)**<sup>47</sup>

*[Article 8.10 (Sustainable Management of the Vegetable Oils Sector and Associated Trade) of Chapter 8 (Trade and Sustainable Development)]*

*2. With a view to ensuring economically, environmentally and socially beneficial and sound management and operation of the vegetable oils sector, **the Parties commit to, inter alia:**...*

*(b) **support the dissemination and use of sustainability standards, practices and guidelines for sustainably produced vegetable oils;**...*

*(e) ensure that **vegetable oils and their derivatives traded between the Parties are produced in accordance with the sustainability objectives** referred to in subparagraph (a) [protecting primary forests, peatlands, and related ecosystems, halting deforestation, peat drainage and fire clearing in land preparation, reducing air and water pollution, and respecting rights of local and indigenous communities and workers].*

Through domestic legislation, Switzerland has defined following VSS as sufficient evidence to the compliance with sustainability objectives in subparagraph (e).

- RSPO Identity Preserved (IP)
- RSPO Segregated (SG)
- International Sustainability and Carbon Certification PLUS Segregated
- Palm Oil Innovation Group based on RSPO IP/SG<sup>48</sup>

By this, palm oil and palm oil derivatives imported from Indonesia qualify for preferential tariff treatment only if they comply with one of those VSS. This incentivizes Indonesian producers to adhere to sustainable practices like deforestation-free cultivation and fair labor conditions.

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<sup>47</sup> Indonesia-EFTA CEPA (Jakarta, Dec 2018) <https://www.efta.int/trade-relations/free-trade-network/indonesia>

<sup>48</sup> [https://www.blw.admin.ch/blw/en/home/international/agrarmaerkte-und-agrarhandel/freihandelsabkommen/freihandelsabkommen\\_schweizindonesien.html](https://www.blw.admin.ch/blw/en/home/international/agrarmaerkte-und-agrarhandel/freihandelsabkommen/freihandelsabkommen_schweizindonesien.html)

## 2.3.2. Opportunities and challenges of VSS integration in FTAs

### 1. Increased efficiency vs. Decreased efficiency

While economies increasingly seek to enhance sustainability in trade, the inclusion of VSS in FTAs can be an efficient solution, as the economies can leverage the sustainable standards and the mechanisms operated by VSS and data accumulated by VSS, instead of creating new standards and mechanisms as well as conducting the ex-ante impact assessment from the scratch. However, the proliferation of VSS and the difficulty in verifying their credibility and fit-for-purpose reduce the efficiency mentioned above. Amid the sheer number of existing VSS which can be overwhelming for producers and farmers, encouraging the development and use of VSS may create a more complex and confusing landscape for them, particularly those operating across multiple markets. Moreover, VSS vary in goals, designs, standards and enforcing and monitoring mechanisms. Distinguishing specific VSS which fit for the purpose and integrating them into the context of FTAs may require as much time and effort.

### 2. Enforcement vs. Flexibility

Due to the voluntary nature, producers and farmers may not adopt VSS and change production and farming practices in a more sustainable manner to the extent that governments desire. The inclusion of VSS in FTAs, particularly in the form of implementing specific VSS, can ensure the enforcement of sustainable practices. However, such inclusion would take away the benefit of VSS's market-based flexibility. Under the market-driven VSS ecosystem, producers and farmers are free to adopt and switch VSS in response to changing market preferences and appearance of new VSS. Also, VSS organizations compete to develop and improve VSS which are effective in achieving sustainability values, efficient in compliance and reflecting market's recent development.

### 3. Potential barriers to trade to be complemented by capacity building

While VSSs are voluntary, their growing prominence in FTAs could create "de facto" market access requirements. According to the 2018 UNFSS report, it could disadvantage economies or businesses that lack the capacity or resources to implement these standards effectively.<sup>49</sup> When economies include VSS in FTAs, they not only need to promote VSS that address the needs of developing economies and SMEs – such as those offering SME-specific compliance schemes – but also should consider including provisions for capacity building in parallel to complement their effort in leveraging VSS. For example, the EVFTA and the Indonesia-EFTA CEPA have Chapter 16 and 9 respectively on 'Cooperation and Capacity Building'.

### 4. Coordination with stakeholders and other frameworks

When negotiating and implementing the inclusion of VSS in FTAs, coordination with stakeholders and other frameworks is indispensable. While government officials are the ones negotiating FTAs, it is VSS organizations that develop and operate VSS; businesses – producers and farmers – that choose specific VSS and make changes to their sustainable

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<sup>49</sup> UNFSS 3rd Flagship Report (Geneva, 2018) <https://unfss.org/wp-content/uploads/2018/09/UNFSS-3rd-Flagship-Report-FINAL-for-upload-1.pdf>

practices; and consumers and the public that signal sustainability values to prioritize. Outside the VSS ecosystem, there exist international standards such as ISO whose work on sustainability may overlap with that of VSS. FTAs concluded by the WTO members are subject to the WTO rules and social and environmental areas are governed by relevant bilateral and multilateral frameworks such as International Labour Organization Conventions.

Albeit depending on concrete implementation activities, a provision to cooperate on VSS in FTAs can create opportunities to coordinate various stakeholders within or across economies. As more economies unilaterally include VSS in their public policies such as the law relating to due diligence, the cooperation provision could establish a channel for information sharing or consultation on partners' VSS-related public policies.

### 2.3.3. VSS in the WTO Agreements

In contrast to the long-standing relations between international standards and the SPS and TBT Agreements, discussions on VSS have been limited in the WTO. It is not only because of the voluntary nature but also the ownership, governance, and authority of VSS do not fall under these agreements.<sup>50</sup> Nevertheless, discussions on VSS within the WTO are expected to grow due to the rising number of FTAs and other trade policies incorporating VSS, and the expansion of the WTO's work on trade and sustainability issues. For example, TESSD launched in 2020 agreed through its 2021 Ministerial Statement to work on "promoting sustainable supply chains and addressing the challenges and opportunities arising from the use of sustainability standards and any related measures, in particular for developing Members".<sup>51</sup> TESSD Informal Working Group on Environmental Goods and Services has held discussions to identify bottlenecks in supply chain of goods relevant for renewable energy, including 'excessive traceability requirements and related standards' and pointed to opportunities for 'cooperation on traceability and reliable certification to help improve consumer confidence in the sustainability credentials of renewable energy goods across complex supply chains'.<sup>52</sup>

Another key point on VSS concerns the TBT Agreement and Processes and Production Method (PPM) standards. PPM standards are standards that specify the methods by which a product is produced, rather than the characteristics of the product itself.<sup>53</sup> The TBT Agreement defines a standard as a "[document] ... that provides ... rules, guidelines or characteristics for products or related processes and production methods, ...", thus including PPM standards. Then, PPM standards can be further categorized into product-related PPM standards and non-product-related PPM standards. If a production method affects the characteristics of the final products, it can be considered as product-related PPM. If not, it would be non-product-related PPM. VSS are typically considered to be non-product-related PPM standards because they often relate to the conditions in which a product is made such as paying fair wages to workers or not destroying primary forests. Such processes and production conditions would have an

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<sup>50</sup> (Geneva, 2023) "Understanding Voluntary Sustainability Standards: A strengths, weaknesses, opportunities, and threats analysis" Page 10 [https://unctad.org/system/files/official-document/ditctab2023d3\\_en.pdf](https://unctad.org/system/files/official-document/ditctab2023d3_en.pdf)

<sup>51</sup> WTO Structured discussions - Trade and environmental sustainability [https://www.wto.org/english/tratop\\_e/tesdd\\_e/tesdd\\_e.htm](https://www.wto.org/english/tratop_e/tesdd_e/tesdd_e.htm); and TESSD Ministerial Statement on Trade and Environmental Sustainability (Dec 2021) WT/MIN(21)/6/Rev.2 <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:WT/MIN21/6R2.pdf&Open=True>

<sup>52</sup> TESSD Statement by the TESSD Co-Convenors (Feb 2024) WT/MIN(24)/11/Add.3

<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:WT/MIN24/11A3.pdf&Open=True>

<sup>53</sup> UNFSS Voluntary Sustainability Standards Part 1: Issues Page 17 [https://unfss.org/wp-content/uploads/2012/05/unfss-report-issues-1\\_draft\\_lores.pdf](https://unfss.org/wp-content/uploads/2012/05/unfss-report-issues-1_draft_lores.pdf)

impact on the society and the environment, but not on the characteristics of the final products. The significance of the distinction between these two PPM standards is not clear, but some trade experts believe that the two standards would be treated differently in international trade law.<sup>54</sup>

### 3. Pre-Conference Survey

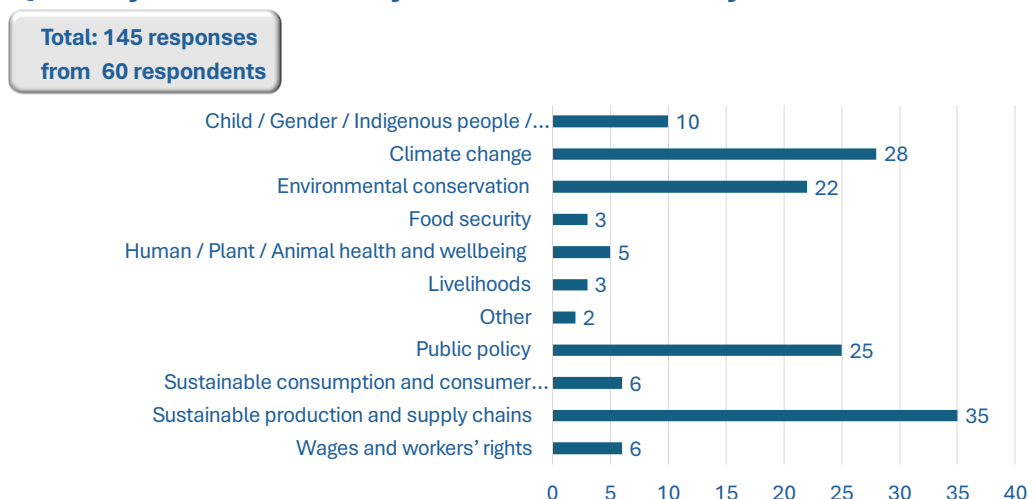
The pre-conference survey was conducted to complement the diagnostic report. The survey had three sections: (1) Respondents and Economy Characteristics; (2) Perception of VSS Integration in Public Policies; and (3) Sustainability/VSS and trade policies. The survey questions were perception-based, meaning there were no right or wrong answers. The list of survey questions is attached in **Annex I**. The survey was circulated online through the SCSC contact points in APEC economies who then circulated again with domestic stakeholders. 60 responses were gathered between 18 July and 1 August in 2024. The survey responses are attached in **Annex II**.

#### 3.1. Respondents and economy characteristics

With respect to the background of respondents, 58% of them were female, while 40% were male and 2% replied to prefer not to answer. Respondents were from 14 APEC economies. Participation from Malaysia; the United States; and Viet Nam was prominent. More than 60% of respondents were from government institutions and standards and certification bodies. Respondents represented a wide range of sectors from primary, intermediate, final goods to public services and tourism. They are also involved in various sustainability issues, particularly, sustainable production and supply chains, climate change, and environmental conservation, as presented in Figure 4.

Figure 4. Responses to survey question 6

#### Q6. Are you involved in any of these sustainability issues?



<sup>54</sup>UNFSS Voluntary Sustainability Standards Part 1: Issues Page 17 [https://unfss.org/wp-content/uploads/2012/05/unfss-report-issues-1\\_draft\\_lores.pdf](https://unfss.org/wp-content/uploads/2012/05/unfss-report-issues-1_draft_lores.pdf)

Regarding the questions about general understanding of VSS, 25% of respondents indicated to have sound understanding of VSS, while 55% of them reported partial understanding and 20% no understanding, as shown in Figure 5. When they were asked if they know any sustainability criteria that are incorporated in policies to produce, trade or sell products, 54% of respondents answered 'Yes'. Such criteria were mainly in the sectors of forestry, agriculture and mining sectors, and addressed sustainable production and supply chains, climate change, and environmental conservation. These responses are in Figure 6 and 7. The responses highlight the need for further awareness-raising effort with a focus on filling in the awareness gap across sectors and purposes.

Figure 5. Responses to survey question 7

### Q7. Rate your understanding of VSS

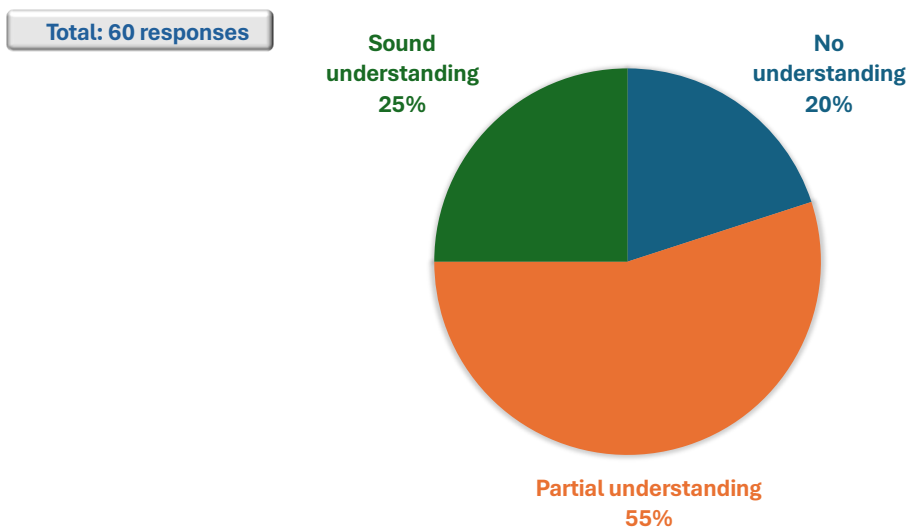


Figure 6. Responses to survey question 12

### Q12. Any sustainability criteria incorporated in policies to produce/trade/sell products?

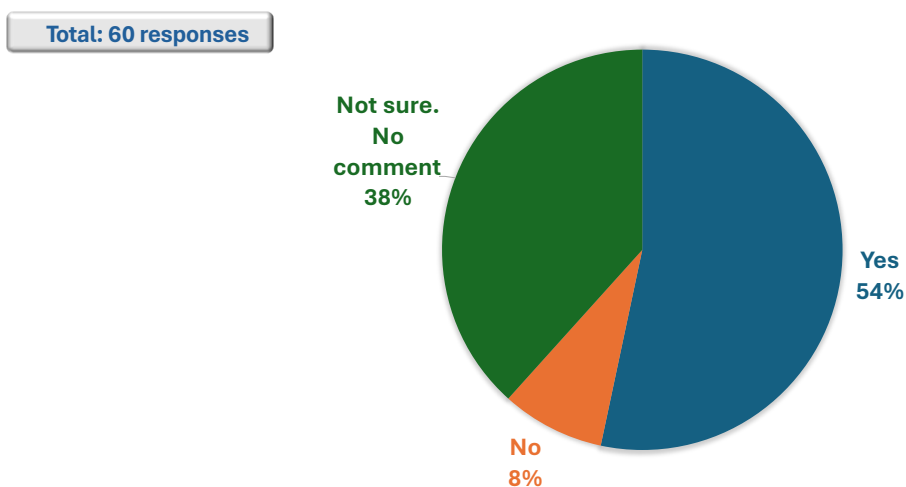
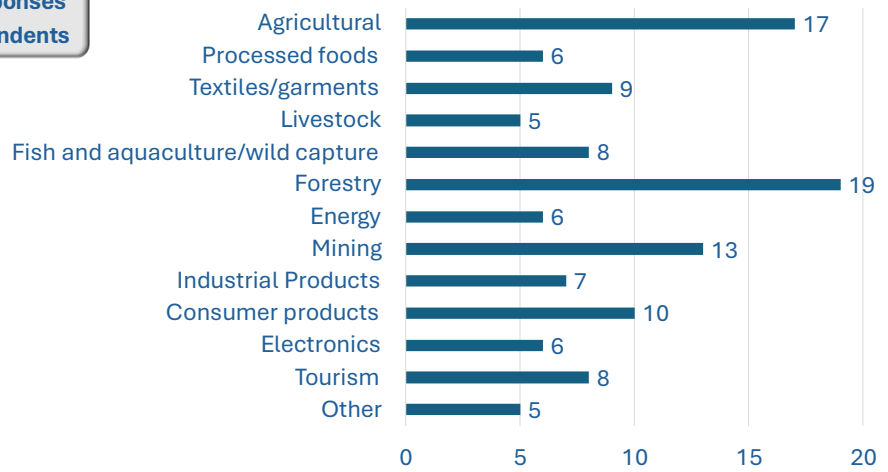


Figure 7. Responses to survey question 13

**Q13. For which of these sectors have there been sustainability criteria put in place?**

Total: 119 responses from 60 respondents



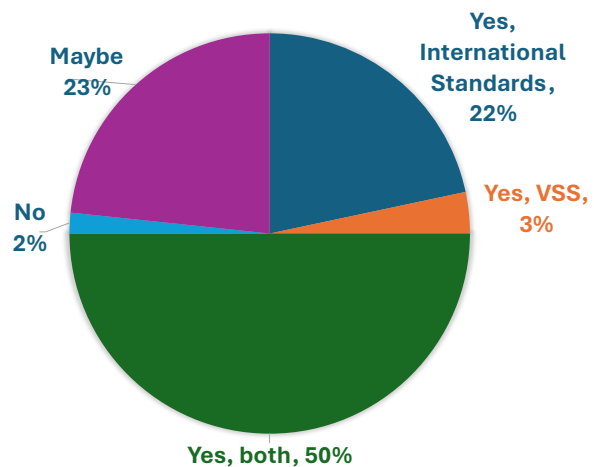
**3.2. Perception of VSS integration in public policies**

The survey posed questions regarding the integration of VSS in public policies. One question asked whether they would consider integrating sustainability tools like VSS and/or international standards in public policies. As described in Figure 8, 50% of respondents answered to consider both, while 23% answered 'Maybe'. It is interesting to note that while 22% of respondents said to consider only international standards, merely 3% said to consider only VSS.

Figure 8. Responses to survey question 16

**Q16. Would you consider sustainability tools like International Standards and/or VSS, be integrated in public policies?**

Total: 60 responses



In another question on the drivers to adopt VSS in public policy, ‘global value chains (market access)’ and ‘alignment with international sustainability standards and principles’ were the most agreed drivers. Meanwhile, ‘price premium on certified products’ and ‘promoting domestic preference for certified products’ were the least agreed driver. With respect to the constraints to adopt VSS in public policy, more respondents agreed on ‘limited access to information’, ‘lack of awareness’, and ‘inadequate infrastructure’ than on ‘insufficient demand and/or supply of certified products’. Additionally, some respondents shared comments to express their concerns about the credibility of certain standards and potential misleading claims – greenwashing –, and to highlight the need for capacity building activities and awareness programs.

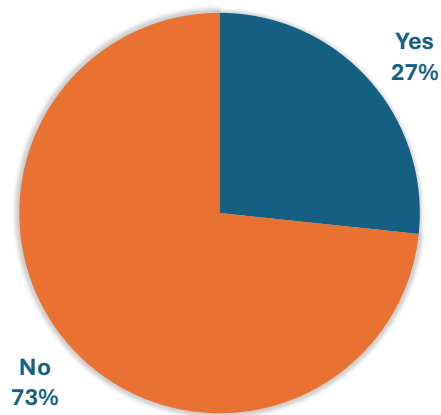
### 3.3. Sustainability/VSS and trade policies

The final part of the survey covered the inclusion of VSS in FTAs. The survey confirmed the novelty of this topic because only 27% of them were aware of FTAs addressing sustainability issues – not limited to VSS – as shown in Figure 9. The respondents named several FTAs concluded by Canada; Singapore; the EFTA; the European Union; and the United States including those covered in Chapter 5. Only 23% had been engaged in the FTA development or negotiation.

Figure 9. Responses to survey question 21

#### Q21. Do you know any FTAs including sustainability issues?

Total: 60 responses



To a question on whether they would consider the inclusion of VSS and/or a broader range of sustainability issues in FTAs, as shown in Figure 10, 40% of respondents answered to consider ‘both’. 25% said to consider only the broader level of sustainability issues, while 3% said to consider VSS specifically. Another question asked about potential form of FTA provisions to include VSS and/or sustainability issues and proposed four types of provisions, which will be examined in detail in Chapter 5. As presented in Figure 11, all respondents chose from one to four provisions. All the provisions received positive responses from 40% to 68% of respondents, the implementation provision being at the bottom and the cooperation provision being at the top. Lastly, 75% of respondents highlighted the importance of capacity building to address VSS and sustainability issues in FTAs as in Figure 12.



Figure 10. Responses to survey question 25

**Q25. Would you consider the inclusion of VSS or sustainability issues through FTAs?**

Total: 60 responses

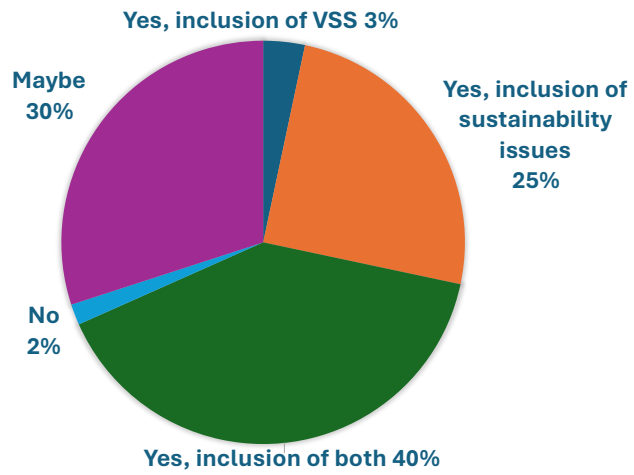


Figure 11. Responses to survey question 26

**Q26. What kind of FTA provisions about sustainability issues and/or VSS could be included?**

(If sustainability issues and/or VSS could be included in FTAs.)

Total: 131 responses from 60 respondents

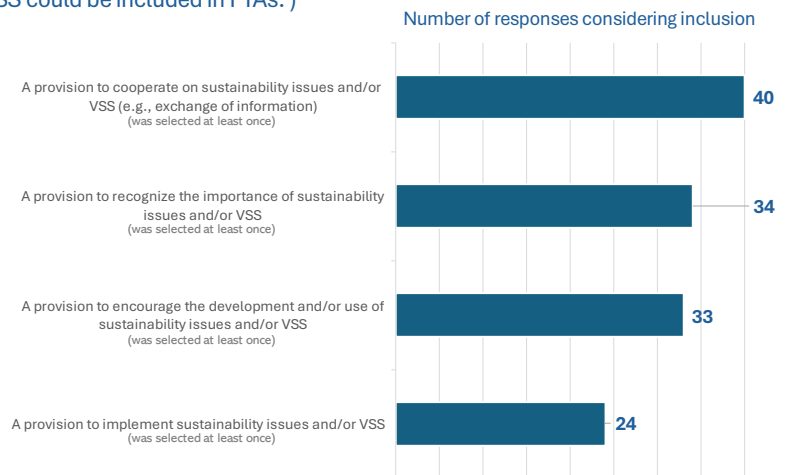
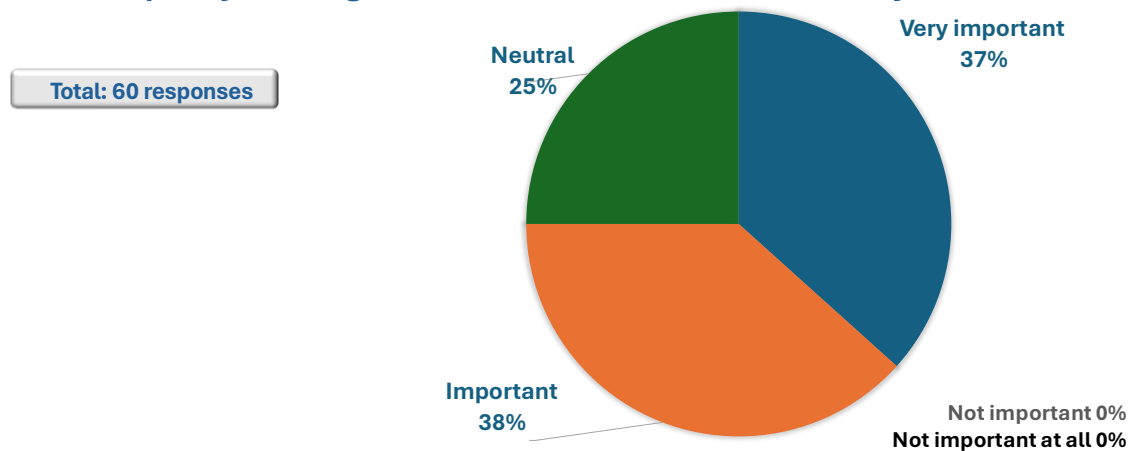


Figure 12. Responses to survey question 27

**Q27. How much do you think it is important to include FTA provisions about capacity building to address VSS and/or sustainability issues?**



#### 4. The 15<sup>th</sup> SCSC Conference

The 15th APEC Sub-Committee on Standards and Conformance (SCSC) Conference convened in Lima, Peru, on 15 and 16 August 2024, bringing together key stakeholders from APEC, UNCTAD, and guests. The conference, co-organized by APEC and UNCTAD, focused on the role of Voluntary Sustainability Standards (VSS) in strengthening trade partnerships and fostering sustainable economic cooperation across APEC member economies.

The conference commenced with welcoming remarks from three distinguished speakers, each of whom emphasized the importance of integrating sustainability standards into trade and regulatory frameworks.

***Tan Sri Dr Rebecca Fatima Sta Maria***  
*Executive Director, APEC Secretariat*

Dr Sta Maria opened her remarks by welcoming participants to the 15th APEC SCSC Conference on “Leveraging Voluntary Sustainability Standards (VSS) to Strengthen APEC Member Economies’ Trade Partnerships and Economic Cooperation.” She expressed her appreciation to the Peruvian SCSC Team for their efforts in organizing a comprehensive two-day agenda and acknowledged UNCTAD’s valuable contribution in co-organizing the event and sharing its expertise on VSS. She highlighted her anticipation of continued collaboration between APEC, UNCTAD, and other relevant UN bodies in advancing sustainability initiatives.

She noted that this conference represents a continuation of a previous APEC project, led by Malaysia, which culminated in the publication of the “APEC Compendium of Best Practices: Mainstreaming Voluntary Sustainability Standards (VSS) to Trade in the APEC Region.” This project served as a starting point for SCSC’s engagement on VSS, providing a solid foundation for the discussions ahead.

Dr Sta Maria then emphasized the critical role of VSS in aligning trade with sustainability objectives, positioning them at the intersection of trade, investment, and sustainable, inclusive growth, as outlined in the APEC Putrajaya Vision 2020. She stressed that economic growth should not come at the expense of environmental and social well-being. She also commended Peru's leadership in advancing the discussion within APEC's Sub-Committee on Standards and Conformance (SCSC) and reaffirmed the importance of continuity in APEC's sustainability initiatives.

She further underscored the need to ensure inclusivity, highlighting that smallholder farmers, artisanal fishers, and micro, small, and medium-sized enterprises (MSMEs) must not be inadvertently excluded from global trade due to complex or stringent sustainability requirements. To achieve this, she stressed that technology and innovation must be leveraged to help businesses comply with VSS criteria while maintaining access to international markets.

Finally, Dr Sta Maria concluded by reaffirming APEC's commitment to fostering a balanced and inclusive trade environment and expressed optimism that the discussions over the next two days would yield practical recommendations for harmonizing VSS adoption across the region.

***Mr César José Bernabé Pérez***

*Chair of the APEC Sub Committee on Standards and Conformance (SCSC)*

Mr Bernabé followed by emphasizing the critical role of regulatory cooperation within APEC to ensure that VSS enhance, rather than hinder, trade and economic integration. He underscored that standardization and conformity assessment are essential in preventing VSS from becoming unintended trade barriers, particularly for MSMEs and small-scale producers.

Acknowledging the diverse regulatory landscapes across APEC economies, he highlighted the importance of multilateral dialogue and knowledge sharing to harmonize sustainability standards. He welcomed the collaboration between APEC and the United Nations Forum on Sustainability Standards (UNFSS), which provides valuable expertise in aligning voluntary standards with global trade and sustainability objectives.

Mr Bernabé thanked the Peruvian organizing team and APEC economies for their commitment to advancing sustainable trade practices. He noted that this conference builds upon past APEC initiatives and contributes to the broader APEC Putrajaya Vision 2040, which seeks to integrate trade, investment, and sustainability goals.

He concluded by reaffirming the SCSC's role in facilitating dialogue between policymakers, businesses, and international organizations. He encouraged stronger public-private cooperation to develop regulatory frameworks that support VSS adoption while fostering open, sustainable trade. He expressed optimism that the conference would generate concrete recommendations to further APEC's work on sustainability standards and regulatory frameworks.

**Dr. Ralf Peters**

*Head of Trade Analysis at United Nations Trade and Development (UNCTAD)*

Dr Peters opened his remarks by expressing his enthusiasm for participating in the 15th APEC SCSC Conference, co-organized by APEC and UN Trade and Development (UNCTAD). He highlighted the significance of this collaborative platform in advancing discussions on Voluntary Sustainability Standards (VSS) and their role in fostering sustainable trade.

He provided a global perspective on VSS and sustainable trade, outlining the critical balance between trade liberalization and sustainability commitments. While acknowledging that trade has lifted millions out of poverty, he also recognized its negative social and environmental impacts. However, he stressed that this does not have to be the case—when effectively designed and implemented, trade can be a driver of sustainable development across economic, social, and environmental dimensions.

Dr Peters described VSS as powerful instruments to ensure that trade promotes inclusive growth and environmental stewardship. However, he cautioned that if not carefully managed, these standards could become de facto trade barriers, disproportionately impacting small producers, developing economies, and informal sector participants. He called for a balanced and inclusive approach to ensure that VSS genuinely facilitate, rather than restrict, market access.

He then highlighted the role of the United Nations Forum on Sustainability Standards (UNFSS)—which brings together FAO, ITC, UNECE, UNEP, UNCTAD, and UNIDO—in ensuring that VSS benefit both people and the planet. He noted that UNCTAD is actively engaged in regional integration efforts within APEC, working to align sustainability standards with trade objectives while maintaining an inclusive and development-oriented approach.

To conclude Dr Peters thanked APEC, the Peruvian organizing team (INACAL), and his UNCTAD colleagues for their collaboration in organizing the conference. He expressed enthusiasm for the upcoming discussions, encouraging an open exchange of ideas to explore practical strategies for leveraging VSS to enhance sustainable trade.

#### 4.1. Setting the scene 1

**Speaker: Mrs. Soraya Lastra.**

*SCSC\_203\_2023A Project Overseer and Executive of Planning, Project Management and TBT Information Center, National Institute of Quality, Peru*

Mrs. Soraya Lastra opened the 15th SCSC Conference on Standards and Conformance with a warm welcome to all participants. She began by recapping the discussions and key lessons from the previous workshop, emphasizing the progress made in understanding and implementing VSS across APEC economies.

Mrs. Lastra then set the objective and theme of the current conference, which focused on leveraging VSS to enhance trade partnerships and foster economic cooperation among APEC

member economies. She outlined the importance of VSS in promoting sustainable trade practices, particularly in developing regions, and how these standards can be aligned with international trade agreements, such as those governed by the WTO, to ensure coherence and synergy in advancing sustainability.

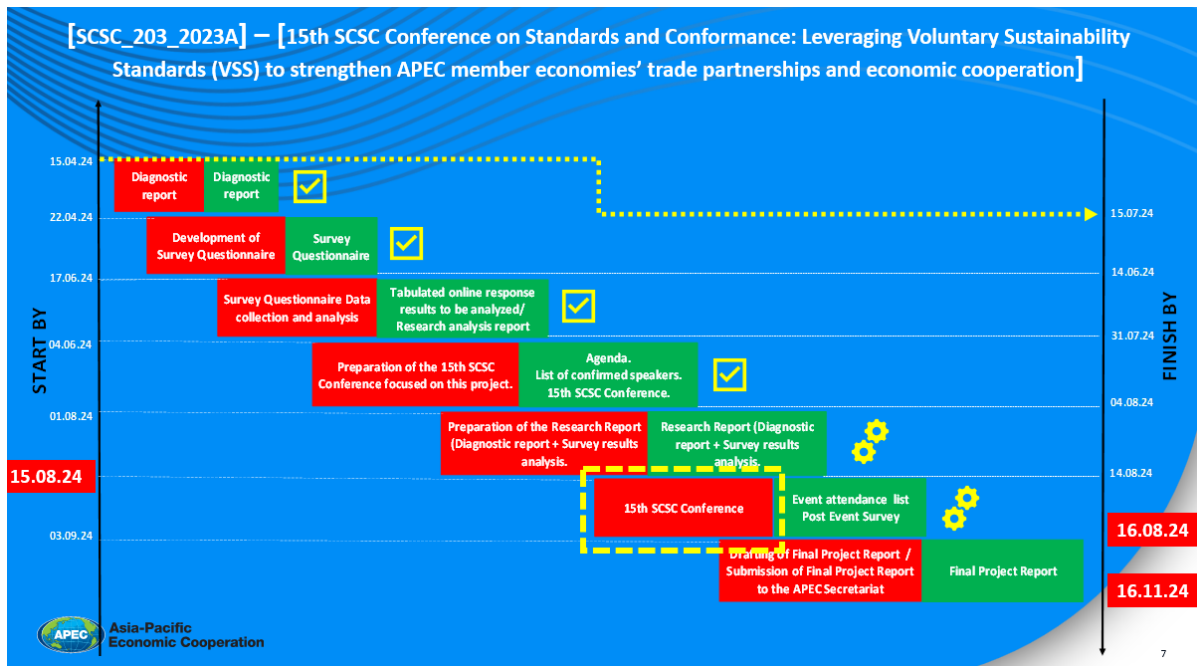
Following the introduction, Ms. Lastra went over the conference agenda, outlining the sessions designed to provide a comprehensive overview of VSS. These sessions included discussions on the emergence and evolution of VSS, the drivers behind their adoption, and the challenges associated with their stagnation. She also stressed the importance of ensuring compliance with VSS through effective conformity assessment mechanisms and traceability systems.

Mrs. Lastra announced that over the two days of the conference, key topics would be addressed, including the interaction between VSS and international trade, with a particular emphasis on market access regulations, public procurement, and due diligence under WTO agreements. She pointed out the importance of integrating sustainability provisions into trade agreements to foster long-term economic growth.

During these sessions, representatives from APEC economies such as Australia; Canada; Chile; China; the Republic of Korea; Indonesia; Malaysia; New Zealand; Papua New Guinea; Thailand; the United States; and Viet Nam would share their experiences and challenges related to these issues. She also expressed her gratitude to the cosponsoring APEC economies, focusing on the collaboration among Australia; Canada; China; Indonesia; Japan; Malaysia; New Zealand; Singapore; the United States; and Viet Nam in supporting this project. Additionally, she acknowledged the co-organization by UNCTAD, emphasizing the importance of international cooperation in driving sustainable economic growth.

Following these discussions, the conference would focus on the future perspectives of sustainability issues and VSS within the APEC region, aiming to develop policy recommendations that would guide member economies in the effective adoption and implementation of VSS. Ms. Lastra also announced that the insights and conclusions drawn from the conference would be compiled into a final report, which is scheduled for submission to the APEC Secretariat by November 2024.

To engage the participants and foster a collaborative atmosphere, Mrs. Lastra conducted an ice-breaking activity by leading a live survey. This interactive session allowed attendees to share their views and set the tone for the discussions ahead.



## 4.2. Session 1: Understanding VSS: introduction, emergence and evolution of VSS, drivers behind the rise of VSS, stagnation of VSS and APEC

**Speaker 1: Prof. Dr. Thomas Dietz**

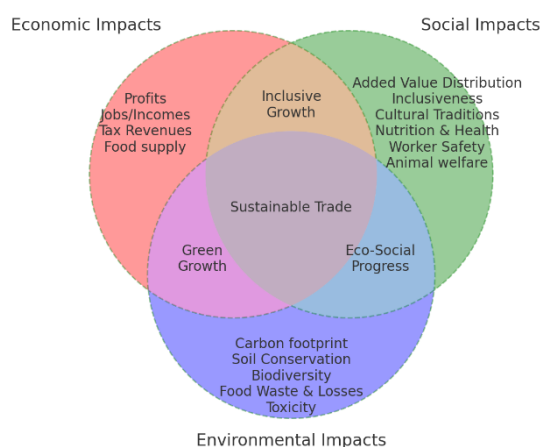
*International Relations and Law of the Institute for Political Science, University of Muenster*

**Topic:** "Understanding VSS: Emergence, Evolution, and Impact on Sustainable Trade"

Prof. Dr. Thomas Dietz delivered an extensive presentation that delved into the critical role of VSS in fostering sustainable trade across APEC economies. His presentation was meticulously structured to provide a comprehensive overview of VSS, from their inception and evolution to their practical impact on global trade practices and the challenges associated with their implementation.

### Introduction and Definition of VSS:

The concept of sustainable trade was described as the exchange of goods and services that meets present needs without compromising the ability of future generations to meet theirs. Sustainable trade seeks to balance economic growth with environmental stewardship and social well-being, aligning with the APEC Putrajaya Vision 2040 for equitable growth.



Then VSS were defined as non-state, market-based standards developed primarily by private actors such as non-governmental organizations (NGOs), business associations, and companies. These standards, while voluntary, specify requirements that producers, traders, manufacturers, retailers, or service providers may be asked to meet across a wide range of sustainability metrics. These metrics include respect for basic human rights, worker health and safety, environmental impacts of production, community relations, and land use planning, among others.

Prof. Dietz highlighted that the development of these standards often involves multi-stakeholder processes, including input from political entities, businesses, and civil society organizations. The voluntary nature of VSS, he noted, differentiates them from mandatory governmental regulations, and their enforcement is typically based on economic incentives such as market access, brand protection, and knowledge transfer.

### **Adoption Dynamics of VSS:**

The presentation then moved on to discuss the dynamics driving the adoption and proliferation of VSS. Prof. Dietz identified several key drivers, including ethical consumption, where consumers increasingly prefer products that adhere to sustainability standards; brand protection, as companies seek to align their operations with sustainable practices to protect their reputations; and public procurement policies, where governments prefer to source products that meet sustainability criteria.

Another significant driver is the integration of VSS into trade policy, where voluntary standards are often recognized as proof of compliance with sustainability requirements in trade agreements. Prof. Dietz explained that these drivers have led to a substantial increase in the number of VSS over recent years, covering a wide array of sectors from agriculture to manufacturing and services.

### **Theory of Change and Impact of VSS:**

Prof. Dietz also introduced the "Theory of Change" associated with VSS, which outlines how these standards are expected to bring about sustainable trade. The theory posits that by adhering to VSS, businesses can gain market access, improve brand reputation, and contribute to SDGs. Moreover, VSS are designed to influence global value chains by encouraging more sustainable production practices and ensuring transparency and traceability.

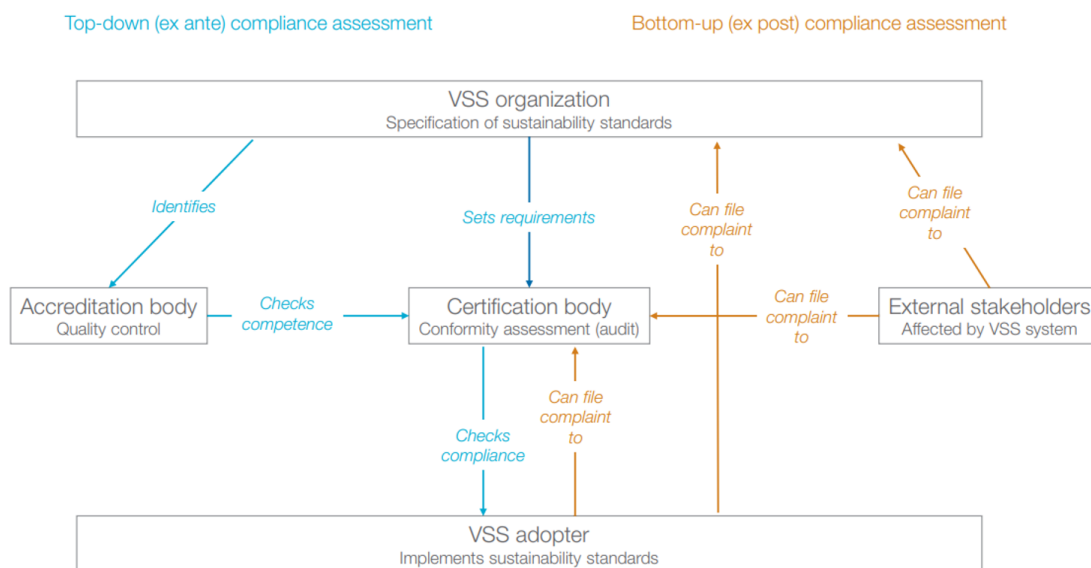
However, the impact of VSS, as Prof. Dietz noted, is mixed. While they have succeeded in promoting more sustainable practices, there are significant challenges. One of the primary

challenges is the cost of certification, which can be prohibitive, especially for smallholders and producers in developing economies. The complexity and overlap of multiple standards can also lead to confusion and increased costs for businesses trying to comply with different VSS.

### Challenges and Future Outlook:

Prof. Dietz underscored that ensuring compliance with VSS is critical to their effectiveness. He discussed the two main approaches to compliance: top-down compliance assessments, which involve formal audits conducted by certification bodies, and bottom-up compliance mechanisms, which are often based on complaint and grievance procedures initiated by stakeholders.

Figure 13. Top-down and bottom-up compliance assessments



Source: UN Trade and Development (UNCTAD) (Geneva 2023). "Voluntary Sustainability Standards in International Trade" Chapter 2. Page 17. <https://unctad.org/publication/voluntary-sustainability-standards-international-trade>

Figure 13 effectively illustrated the mechanisms for ensuring compliance with VSS, showing the relationships between different actors within the VSS system. It underscored the importance of both ex-ante (top-down) and ex-post (bottom-up) conformity assessments in maintaining the integrity of sustainability standards across global value chains.

Looking ahead, Prof. Dietz pointed out that while VSS are not mandatory, they remain relevant tools for sustainability governance due to their comprehensive approach. He pointed out the importance of differentiating between reliable and non-reliable VSS, particularly as sustainable issues are increasingly integrated into trade agreements, making some standards mandatory.



## ***Speaker 2: Mr. Rodrigo Rupérez***

*APEC Consultant*

### ***Topic: "Understanding VSS: Diagnostic report and survey result"***

Mr. Rupérez's presentation focused on the critical role of VSS in advancing trade partnerships and promoting sustainable economic cooperation across APEC member economies. His presentation provided a comprehensive analysis of VSS, including their implementation, challenges, and impact on trade policy within the region.

### **Diagnostic Report**

After Professor Dietz presentation, Mr. Rupérez briefly introduced the concept of VSS, which are sets of standards that producers, traders, manufacturers, and service providers may adopt to ensure their practices do not harm people or the environment. These standards help protect worker health and safety, uphold human rights, and mitigate the environmental impacts of production and consumption.

He emphasized the importance of these standards in the context of APEC's broader goals, particularly under the APEC Putrajaya Vision 2040, which prioritizes trade and investment, regional economic integration, sustainable growth, and supply chain resilience.

1. **How VSS Work:** He explained the roles of various stakeholders in the VSS ecosystem, including civil society organizations, governments, producers, and businesses. Each of these actors plays an important role in the development, promotion, and implementation of VSS.
2. **VSS in the APEC Region:** The presentation remarked on the growing adoption of VSS within APEC economies, driven by factors such as economic size, export-oriented policies, the impact of the COVID-19 pandemic, and the increasing demand for sustainable products.

Despite the upward trend, Mr. Rupérez pointed out challenges such as the lack of comprehensive data, the proliferation of multiple certifications, and the varying levels of VSS adoption across different sectors.

3. **VSS in Trade Policy:** Mr. Rupérez discussed the integration of VSS into trade agreements, noting that over 350 PTAs and FTAs were active by 2023. He emphasized the recognition of VSS as market-based incentives for sustainability, as seen in agreements like the CPTPP and the EVFTA.

He also touched on the challenges and opportunities presented by the inclusion of VSS in these agreements, such as ensuring enforcement of sustainable practices while maintaining flexibility for market-driven VSS, and the potential for VSS to become de facto market access requirements, which could disadvantage less capable economies.

4. **Moving Forward:** Mr. Rupérez proposed a balanced approach to VSS in FTAs, focusing on maximizing efficiency, addressing greenwashing, strengthening technical assistance, and promoting transparency and coordination among stakeholders. He brought attention to the need for regulatory cooperation to align VSS schemes with international standards, such as those set by the ISO.

## Survey Results

The survey conducted among APEC economies to gauge awareness and understanding of VSS was carried out during June and July 2024, received responses from 60 participants across 14 APEC economies. Key findings included:

### 1. Respondents' Involvement in and Awareness of VSS

- **Sectoral Involvement:**
  - Respondents represented a wide range of sectors from primary, intermediate, final goods to public services and tourism.
  - The majority have been involved in sustainability issues including sustainable production, climate change, and environmental conservation.
- **General Awareness:**
  - 55% of respondents reported a partial understanding of VSS.
  - 25% of respondents indicated a sound understanding, underlining the necessity for enhanced awareness and educational initiatives.
- **Sustainability Criteria:**
  - 54% of respondents confirmed that sustainability criteria have been incorporated into policies within their economies.
  - Such criteria were mainly in the sectors of forestry, agriculture and mining sectors, and addressed sustainable production and supply chains, climate change, and environmental conservation.

### 2. Integration of VSS in Public Policies

- **Willingness to Integrate VSS:**
  - 50% of respondents support integrating both International Standards and VSS into public policies.
  - A small percentage (3%) would consider the integration of only VSS.
- **Key Drivers for VSS integration:**
  - Global value chains (market access) and alignment with international sustainability standards and principles are the primary drivers for adopting VSS in public policy.
  - There is a divided opinion on whether price premiums on certified products is a driver, indicating uncertainty or varying perspectives.
- **Key Constraints for VSS integration:**
  - Inadequate access to information, lack of awareness, and financial and infrastructural limitations are significant constraints to adopting VSS in public policy.
  - Some respondents expressed concerns about the credibility of certain standards and the risk of VSS becoming trade barriers (greenwashing).

### 3. Sustainability/VSS and FTAs

- **Inclusion in FTAs:**
  - Only 27% of respondents are aware of FTAs that include sustainability issues.
  - 40% of respondents support including both VSS and broader sustainability issues in FTAs, while 68% support the inclusion of at least one of these aspects.
  - Provisions to cooperate on, recognize the importance of, and encourage the development and/or use of sustainability issues and/or VSS are viewed as essential by the majority.
- **Capacity Building:**
  - 75% of respondents highlighted the importance of capacity building to address VSS and sustainability issues within FTAs.
  - There is a strong emphasis on the need for technical assistance and support, particularly for developing economies and smaller enterprises.

Mr. Rupérez concluded by emphasizing the importance of continued collaboration among APEC economies to effectively leverage VSS as tools for sustainable trade. He announced that during the two days of the conference, participants would delve deeper into these topics, examining how VSS interact with international trade agreements, particularly regarding market access and equity. The discussions would explore the challenges and opportunities presented by VSS in fostering sustainable trade and consider the implications for policy development.

The insights gained from these discussions will be instrumental in developing policy recommendations. These recommendations, along with the key learnings from the conference, will be compiled into a final report scheduled for submission to the APEC Secretariat by November 2024. This report will aim to guide APEC member economies in effectively adopting and implementing VSS to enhance sustainable trade practices across the region.

Mr. Graeme Drake, Secretary of the Asia Pacific Accreditation Cooperation (APAC), during the Q&A session, inquired about the existence of studies on the true cost of VSS certification for producers. The importance of this question was acknowledged, affirming that it would be an excellent topic for future research in this field across the APEC economies.

#### 4.3. Session 2: How VSS Work: setting sustainability standards, ensuring compliance with standards (conformity assessment and complaint system) and traceability

##### ***Speaker 1: Mrs. Teresa Cendrowska***

*Vice-President, Global Cooperation, ASTM International*

***Topic: "Setting Sustainability Standards: Enabling Compliance"***

Mrs. Teresa Cendrowska's presentation focused on the pivotal role of ASTM International in developing and promoting standards that support sustainable trade and compliance across APEC economies. Her talk provided an in-depth overview of ASTM's processes, their

alignment with international standards, and the tools available to ensure effective implementation and adherence to these standards.

ASTM International has a long-standing commitment to improving global health, safety, and quality of life through the development of science-based, consensus-driven standards. ASTM's unique position as an independent, non-governmental organization that operates globally, with offices in Belgium; China; Peru; Singapore; and the United States. ASTM's membership comprises over 34,000 technical and business experts from more than 150 economies, making it one of the most influential standards organizations in the world.

**ASTM's Approach to International Standards:**

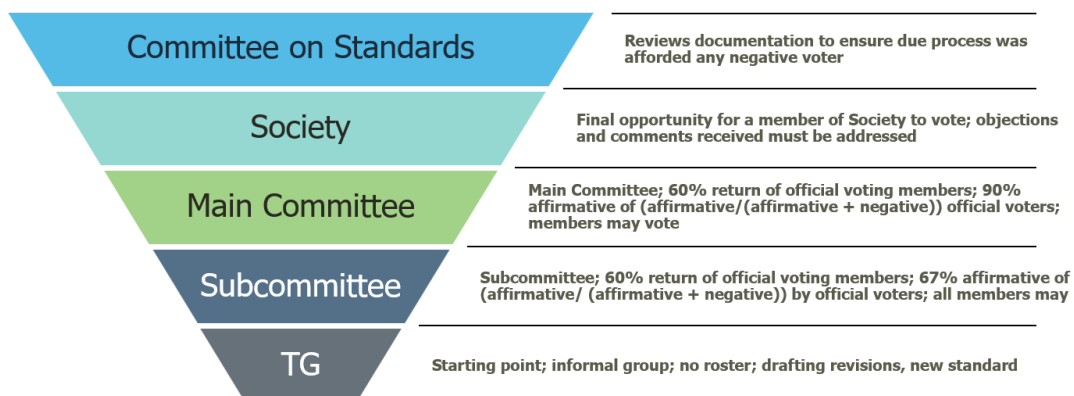
ASTM's standards development process is fully aligned with the WTO's principles for international standards development. These principles, established by the WTO TBT Committee, guide regulators in determining which standards can be considered international. She stressed that, according to WTO guidelines, it is not the origin of the standard but the process by which it is developed that determines its international status.

**Key Components of ASTM's Standards Development:**

The presentation detailed ASTM's commitment to an open, transparent, and consensus-based process, which ensures that all stakeholders—whether from the public or private sector—have an equal voice and vote in the development of standards. This process includes rigorous technical and procedural safeguards to ensure fairness and responsiveness to global market needs.

One of the hallmarks of ASTM's approach is the direct engagement of technical experts from around the world, rather than through economy-specific delegations. This structure allows ASTM to be more agile and responsive to emerging challenges and technologies, making its standards highly relevant and widely adopted across diverse markets.

**ASTM's Balloting Process**



## **Sustainability and Compliance Tools:**

ASTM plays its role in enabling compliance through various tools and programs that support the implementation of sustainability standards. The organization's sustainability reference database provides access to a vast array of standards, guides, practices, and certification protocols across multiple sectors. This resource is designed to help stakeholders navigate the complexities of sustainability compliance, whether in construction, manufacturing, environmental management, or other areas.

Additionally, it is important to underline the role of product category rules and environmental product declarations in promoting transparency and accountability in sustainability claims. These tools allow businesses to assess the environmental impact of their products in a standardized way, which is critical for maintaining consumer trust and meeting regulatory requirements.

## **Collaboration and Global Impact:**

Mrs. Cendrowska emphasized the importance of collaboration between ASTM and other standards organizations, such as ISO, IEC, and regional bodies like the European Committee for Standardization. This cooperation helps avoid duplication of efforts and ensures coherence in global standards, which is essential for facilitating international trade and regulatory alignment.

She also discussed ASTM's involvement in various international initiatives, such as the ARISE network of the United Nations Office for Disaster Risk Reduction, which focuses on building disaster-resilient societies through private sector engagement.<sup>55</sup> This points out ASTM's broader commitment to not only developing standards but also contributing to global resilience and sustainability efforts.

Mrs. Cendrowska concluded her presentation by reiterating the importance of standards in driving sustainable trade and economic growth within APEC economies. She called for continued collaboration and innovation in the development of standards, emphasizing that ASTM will remain at the forefront of these efforts, ensuring that its standards continue to meet the evolving needs of the global marketplace.

### ***Speaker 2: Mr. Adan Olivares***

*Regional Lead for the Americas and the Caribbean, The Initiative for Responsible Mining Assurance (IRMA)*

***Topic: "Advancing Responsible Mining: The Role of IRMA in Ensuring Compliance and Sustainability"***

Mr. Olivares delivered a comprehensive presentation on the role of the IRMA in promoting responsible mining practices through voluntary standards and third-party verification. His presentation focused on how IRMA's standards support environmental and social

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<sup>55</sup> ARISE network is an abbreviation of 'Act now, be Resilient, create Impact, help Societies, and Expand your network'. <https://www.ariseglobalnetwork.org/>

responsibility in large-scale mining operations across various APEC economies, contributing to sustainable development and better community engagement.

Mr. Olivares introduced IRMA as a global, multi-stakeholder organization dedicated to protecting people and the environment affected by mining activities. IRMA operates a performance verification system for large-scale mines, based on a set of rigorous standards that cover a wide range of issues, including business integrity, environmental stewardship, and social responsibility. He emphasized that IRMA’s mission is to promote responsible mining practices that minimize harm to people and the environment, ensuring that mining operations are conducted with transparency, accountability, and respect for human rights.

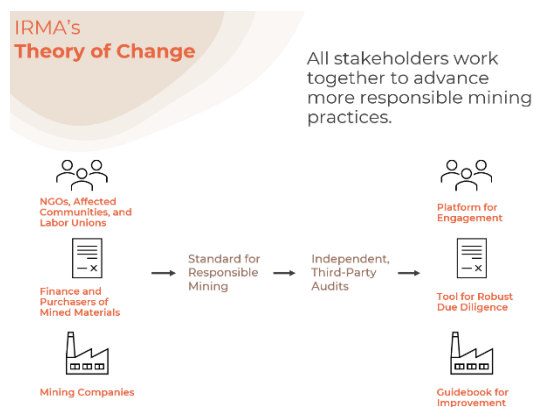
### Key Elements of IRMA’s standards:

The IRMA standard is comprehensive, consisting of 26 chapters that address critical areas such as legal compliance, stakeholder engagement, human rights due diligence, labor rights, worker health and safety, community health and safety, and environmental management. Mr. Olivares accentuated that IRMA’s standards are designed to align with best practices and international norms, including the Organisation for Economic Co-operation and Development Due Diligence Guidance, the United Nations Guiding Principles on Business and Human Rights, and various conventions from the International Labour Organization.

### Global Applicability and Participation:

Mr. Olivares explained that IRMA’s standards are applicable to mines globally, covering all mined materials except energy fuels such as uranium and thermal coal. Mines participating in IRMA’s system are assessed at the site level, rather than the company level, allowing for a focused evaluation of specific operations. He noted that mines at any performance level can participate, with the goal of demonstrating continuous improvement over time.

### Verification and Certification Process:

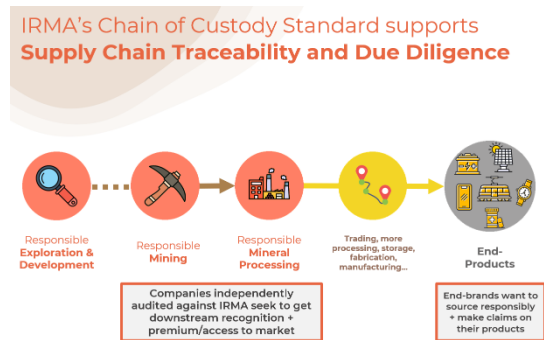


IRMA’s verification process is thorough, with audits conducted by independent third-party bodies that adhere to international standards such as ISO 17021 and ISO 19011. Olivares emphasized the transparency and inclusiveness of IRMA’s audits, which involve interviews with stakeholders beyond the mine site, including community members, NGOs, and labor unions. All audit reports are publicly available, ensuring that the process remains open and accountable.

### Impact and Engagement:

In response to a question from Mr. Ralf Peters of UNCTAD, Mr. Olivares informed that as of August 2024, IRMA had 109 mine sites and 88 companies engaged in its process, with 20 sites

and 10 companies undergoing third-party audits. He highlighted that IRMA's reach extends to over 30 economies and covers more than 50 different materials, demonstrating the initiative's global impact. A detailed breakdown of IRMA's engagement across different sectors and regions was provided, illustrating the broad participation of NGOs, mining companies, consultancy firms, indigenous organizations, and government bodies.



He also discussed the importance of IRMA's Chain of Custody Standard, which supports supply chain traceability and due diligence. This standard helps ensure that materials sourced from IRMA-certified mines meet the expectations of downstream purchasers and investors who are increasingly seeking to make responsible sourcing claims.

Mr. Olivares finished by underlining IRMA's work for advancing responsible mining practices globally. He called for continued collaboration among stakeholders to enhance the effectiveness of IRMA's standards and to promote more sustainable and socially responsible mining operations. The insights gained from IRMA's activities, along with the feedback from stakeholders, will inform the ongoing development of its standards, ensuring that they remain relevant and impactful in addressing the challenges of the mining sector.

### **Speaker 3: Mr. Graeme Drake**

*Asia Pacific Accreditation Cooperation Secretary*

*Chair, ISO/Technical Committee (TC) 207/SC3 Environmental labelling*

*Co-Convenor, ISO 14019 Validation and Verification of Sustainability and Environmental, Social, and Governance (ESG) Information*

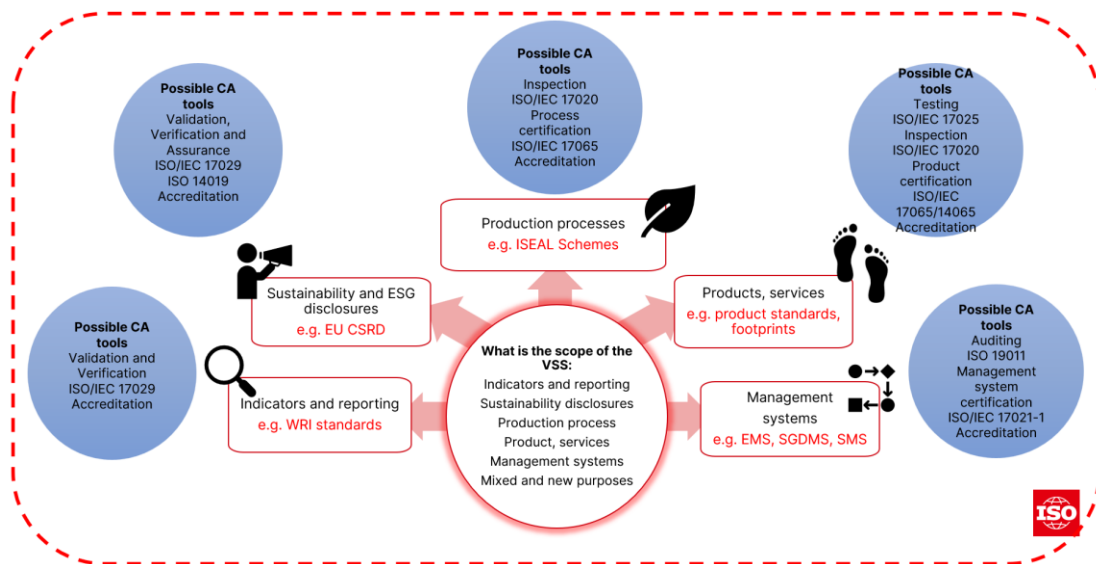
**Topic:** "Setting VSS, conformity assessment and traceability"

Mr. Graeme Drake delivered his presentation with an extraordinarily practical, didactic, and clear approach, making complex topics easily understandable for the audience. His presentation centered on the establishment of VSS and the importance of conformity assessment and traceability in ensuring the credibility and effectiveness of these standards across APEC economies.

Mr. Drake began by outlining the critical components of setting VSS, emphasizing the need for these standards to adhere to accepted international practices in standard setting, as defined by the WTO TBT Agreement Annex 3 and the ISO/IEC Guide 59 Code of Good Practice for Standardization. He stressed that VSS must be developed through an open, transparent, and consensus-based process to be considered legitimate and effective in promoting sustainable trade practices.

## Scope and Implementation of VSS:

It is key to clearly define the scope of VSS, which includes specifying the purpose, objects, characteristics, and requirements of the standards. Clarity is vital for selecting the appropriate conformity assessment tools necessary to demonstrate the sustainability impacts and outcomes of the VSS.



He provided a detailed overview of the various types of conformity assessment tools that could be employed depending on the scope of the VSS, including:

- **Validation and Verification:** Using standards like ISO/IEC 17029 and ISO 14019 for the validation, verification, and assurance of sustainability and ESG reports, disclosures, and declarations.
- **Inspection and Process Certification:** Tools such as ISO/IEC 17020 for inspection and ISO/IEC 17065 for process certification, ensuring that the specified sustainability requirements are met.
- **Testing and Auditing:** Standards like ISO/IEC 17025 for testing and ISO 19011 for auditing management systems, which play a role in certifying products and processes according to VSS requirements.

## New ISO Series on Sustainability:

It was introduced the new ISO 14019 series, which focuses on the validation, verification, and assurance of sustainability and ESG information. This series, set to be published between 2025 and 2026, will provide comprehensive guidelines on ensuring the credibility and accuracy of sustainability reports and declarations. The ISO 14019 series is designed to be used by conformity assessment bodies, accreditation bodies, and organizations engaged in sustainability reporting and ESG disclosures.

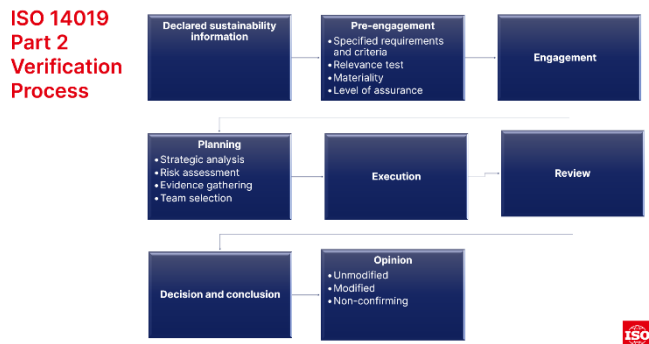
## Traceability and Chain of Custody Standards:

A significant portion of the presentation was dedicated to discussing the importance of traceability in maintaining the integrity of sustainability claims. Mr. Drake showed the ISO/TC



308 Chain of Custody standards, which provide models for tracking the flow of materials and products through the supply chain. These models, including mass balance, controlled blending, segregated, and identity-preserved, ensure that the sustainability characteristics of products are maintained throughout their journey from origin to final output.

The "ISO 14019 Verification Process" was detailed step-by-step for conducting sustainability verification, including pre-engagement planning, execution, review, decision-making, and the final opinion on compliance. It provided a clear and structured approach to verifying sustainability claims, making it an essential reference for practitioners involved in sustainability reporting and assessment.



To conclude, Mr. Drake emphasized the need for comprehensive and transparent conformity assessment frameworks to support the credibility of VSS. He encouraged stakeholders to adopt best practices in standard setting and to ensure that their VSS are supported by robust traceability and verification mechanisms.

#### 4.4. Session 3: VSS in International Trade

##### **Speaker 1: Mr. Aik Hoe Lim**

*Director of Trade and Environment Division, World Trade Organization*

**Topic:** "VSS in international trade: Ongoing initiatives related to sustainability within the WTO, approach on international standards and the interaction of VSS with the WTO Agreements"

Mr. Aik Hoe Lim delivered the presentation with remarkable clarity, showcasing his deep understanding of the different APEC economies. His presentation focused on the role of VSS in international trade, providing a comprehensive overview of how these standards impact trade dynamics and regulatory frameworks across APEC economies.

Mr. Lim began by explaining what VSS are - codes of conduct, audit protocols, and norms designed to protect people and the environment during the production, manufacturing, trading, and consumption of goods. He emphasized the growing importance of VSS in international trade, noting that both governments and private sector entities, especially large multinational enterprises, increasingly rely on these standards to promote sustainability within their supply chains.

##### **VSS in Regulatory Context:**

He highlighted how VSS are becoming more prominent in securing market access, particularly in scenarios where governments reference these standards in their regulations. Lim provided the example of the European Union's Renewable Energy Directive II and its impact on palm oil-based biofuels, demonstrating how VSS can be utilized by producers to meet specific

sustainability criteria and avoid market access restrictions. The parties involved debate the extent to which VSS could, in practice, be utilized by individual palm oil producers to obtain the required “low ILUC-risk” certification for their palm-oil based biofuels accentuating the practical challenges and opportunities these standards present in real-world applications.

### **WTO Committees and VSS:**

Mr. Lim detailed the discussions within various WTO Committees related to VSS, including the Committee on Trade and Environment, the TBT Committee, and the SPS Committee. He discussed how these committees have addressed the challenges and implications of VSS, particularly regarding market access, transparency, and the potential creation of trade barriers due to the proliferation of private standards.

In the Committee on Trade and Environment, for instance, the topic of environmental labeling schemes has been a point of focus since the 2001 Doha Ministerial Conference. Mr. Lim shared examples of how different APEC economies have navigated the complexities of VSS, such as Ecuador’s efforts to obtain organic agriculture certification and the challenges posed by multiple public and private certifications in different export markets.

### **Future Developments and Challenges:**

Looking ahead, Mr. Lim discussed the possible future developments in the interaction between VSS and the multilateral trading system. He pointed out three main areas of focus:

- **Establishing Minimum Requirements:** There is likely to be an increased effort to establish minimum criteria that VSS need to meet at the domestic level. He pointed to the European Union’s new Directive 2024/825, which seeks to improve consumer protection and encourage more sustainable consumption patterns by setting minimum standards for sustainability labels.
- **Aligning VSS with International Standards:** Lim emphasized the importance of aligning VSS with international standards to foster more coherence and avoid unnecessary trade barriers. He mentioned the WTO’s collaboration with other international organizations and industry associations to develop common methodologies, such as those used in the steel industry, to accelerate the transition to more sustainable practices.
- **Enhancing Quality Infrastructure:** Lim stressed the need for developing economies to enhance their quality infrastructure systems to comply with VSS and certification requirements. He cited the WTO’s Standards and Trade Development Facility as an example of initiatives aimed at building capacity in developing regions, enabling them to meet relevant standards and regulations.

Lim concluded by reiterating the role of VSS in shaping the future of international trade. He underscored the importance of collaboration among APEC economies to establish robust and transparent VSS that align with international standards, ensuring that these standards contribute to sustainable economic growth rather than creating unnecessary barriers to trade.

***Speaker 2: Mr. Kent Shigetomi***

*Director for Multilateral Non-Tariff Barriers, Office of the United States Trade Representative*

***Topic: “Sustainability in Free Trade Agreements of the United States”***

Mr. Kent Shigetomi delivered a very interesting, clear, and direct presentation on the United States’ experience in FTAs. His presentation offered valuable insights into the evolution of the United States’ FTAs, emphasizing the role of VSS in promoting sustainable trade practices and supporting environmental goals.

**Evolution of Environmental Chapters in FTAs of the United States:**

First was provided a historical overview of environmental provisions in the United States’ FTAs. The original NAFTA in 1994 included side agreements on labor and the environment, setting the stage for environmental chapters in subsequent FTAs. Since then, every FTA of the United States has included a dedicated chapter on the environment, reflecting the increasing importance of sustainability in trade agreements.

**Incorporation of sustainability issues in FTAs of the United States:**

The presentation detailed how sustainability has been progressively integrated into the United States’ FTAs as a tool to enhance environmental performance. Mr. Shigetomi discussed the USMCA as a key example, where voluntary mechanisms such as auditing, reporting, and market-based approaches are encouraged to complement domestic regulations. These mechanisms are designed to maximize environmental benefits while avoiding unnecessary barriers to trade.

He emphasized that these voluntary mechanisms are not just additional options but essential components for achieving high levels of environmental protection. He noted that the United States encourages the use of sustainability certifications by promoting public-private partnerships and the development of criteria to evaluate environmental performance, ensuring that these standards are truthful, scientifically grounded, and aligned with international best practices.

**TBT Obligations and VSS in FTAs:**

The speaker also covered the TBT chapters within the United States’ FTAs, which build upon the obligations of the WTO TBT Agreement. These chapters provide greater specificity on issues such as the use of international standards, labeling, and conformity assessment procedures. Mr. Shigetomi explained how these provisions support the use of VSS by establishing a clear framework for how standards-related measures should be implemented, thus promoting transparency and consistency across different sectors.

**Case Study: ENERGY STAR Program:**

One of the standout sections of Mr. Shigetomi’s presentation concerned ENERGY STAR program by the Environmental Protection Agency of the United States. This voluntary labeling

program sets energy efficiency specifications, and products that meet these specifications can display the ENERGY STAR logo. Mr. Shigetomi used this program as a case study to illustrate how VSS can be effectively implemented to drive both environmental benefits and market innovation. He explained the mechanics of the program, including how products are assessed, the benefits of the label for consumers and businesses, and the broader impact on reducing greenhouse gas emissions.

Mr. Shigetomi remarked on the importance of integrating sustainability standards into trade agreements. He encouraged APEC economies to consider the United States' experience as a model for how FTAs can be leveraged to advance environmental objectives while supporting trade. His presentation underscored the need for continued collaboration and innovation in the development of VSS to meet the evolving challenges of global trade and environmental protection.

***Speaker 3: Mrs. Konny Sagala***

*Director of Implementation System for Standard and Conformity Assessment, National Standardization Agency of Indonesia*

***Topic: "Sustainability provisions and standards in Indonesia"***

Mrs. Konny Sagala delivered a focused and enthusiastic presentation on the development and implementation of sustainability provisions and standards in Indonesia. The presentation explained Indonesia's journey in aligning its domestic standards with international norms and emphasized the importance of these standards in facilitating market access and supporting sustainable development across various sectors within the economy.

**Indonesia's Standardization Milestones:**

Mrs. Sagala began by discussing the historical milestones of standardization in Indonesia, detailing how the government has progressively aligned its domestic standards with international best practices. She highlighted the role of the Indonesian Standardization Agency and the Indonesian Accreditation Body in developing and enforcing these standards, particularly under the legal frameworks established by Law No. 20/2014 and Government Regulation 34/2018.

**Sectoral Focus and SNI Development:**

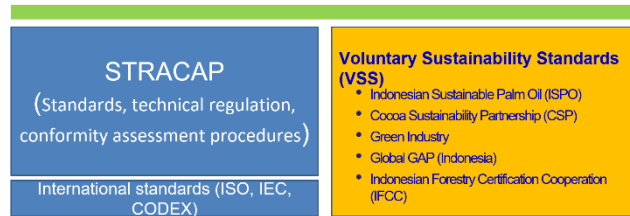
The presentation provided an overview of the Indonesian national standards and their application across various sectors, including agriculture, construction, engineering technology, and health safety. Mrs. Sagala emphasized the significant number of active Indonesian national standards, which support Indonesia's SDGs. She also discussed how these standards are continuously updated and refined to keep pace with technological advancements and international standards.

## VSS as Market Access Tools:

VSS are utilized as instruments for market access, particularly in sectors like agriculture and forestry. She mentioned specific examples, such as the Indonesian Sustainable Palm Oil and the Indonesian Forestry Certification Cooperation, which help Indonesian products meet the sustainability requirements of



## Standards as a Market Access Instrument



international markets. These standards are important in enhancing the competitiveness of Indonesian products, ensuring they meet the expectations of global consumers who prioritize sustainability.

## Challenges and Opportunities:

The speaker also addressed the challenges associated with the implementation of VSS, including the need for harmonization to prevent technical trade barriers and ensure efficiency in product certification processes. She underlined that while VSS can sometimes act as trade barriers, particularly for small-scale producers, they also present significant opportunities for improving product quality and sustainability.

The speaker also showcased how Indonesia's national standards are integrated with international standards such as ISO, facilitating smoother market access for Indonesian products. She presented the alignment between domestic and international standards to make clear how Indonesia is positioning itself in the global market.

Mrs. Konny Sagala concluded the presentation by reiterating Indonesia's commitment to continuous improvement in standardization and conformity assessment processes. She emphasized the importance of international cooperation in enhancing the credibility and effectiveness of these standards, ultimately contributing to sustainable economic growth and improved market access for Indonesian products.

### **Speaker 4: Ms. Anna Tyler**

*Principal Adviser International Forestry, Ministry of Primary Industry, New Zealand*

**Topic:** *“Examples of sustainability provisions in the New Zealand’s experience of negotiating and implementing the sustainability provisions”*

In a perfectly structured presentation, Ms. Taylor shared her insights as a subject matter expert on New Zealand’s experience in promoting sustainability through trade agreements. She emphasized that her remarks were made as an individual expert and did not represent the official stance of the New Zealand government. Drawing on her extensive experience in forestry legality, trade regulation, and sustainability certifications, as well as her leadership role in the International Tropical Timber Organization, Ms. Tyler provided a comprehensive overview of how New Zealand has championed sustainability on the global stage.

## **Market Trends and Sector Responses:**

The speaker began by describing the global trends driving the adoption of sustainability practices, noting that consumers and markets are increasingly demanding transparency regarding the environmental and social impact of the products they purchase. This trend has been fueled by a broader range of environmental commitments from governments and international bodies, particularly those aligned with the Sustainable Development Agenda for 2030.

In response to these demands, New Zealand's primary sectors have taken proactive steps to develop and implement their own VSS. For instance, the New Zealand wine industry launched an industry-wide sustainability certification program as early as 1995, starting with vineyards and expanding to include winery sustainability standards by 2002. Today, an impressive 96% of New Zealand's vineyard area is certified under this program, with over 90% of the wine production adhering to these standards. This certification covers a comprehensive range of sustainability impacts, including soil health, water use, plant protection, waste management, and climate change adaptation.

Similarly, the beef sector has seen innovative developments, such as the "Net Carbon Zero by Nature" initiative. This program ensures that 100% of the carbon emissions from beef production are offset by natural vegetation on the farms where the cattle are raised, with the process being independently audited to ISO 14067 standards for carbon footprint of products. These initiatives not only cater to market demands but also position New Zealand products at a premium in global markets by showcasing their commitment to sustainability.

Ms. Tyler also addressed the challenges faced by smaller producers in adopting these standards, particularly in the forestry sector, where certification costs can be prohibitive. Despite these challenges, New Zealand's forestry sector has embraced international schemes like the FSC and the PEFC, which are recognized globally for their rigorous sustainability criteria.

## **Complementary Initiatives:**

In addition to sector-specific VSS, Ms. Tyler discussed New Zealand's involvement in broader sustainability initiatives, particularly in the development of sustainability principles and ecolabelling standards. These initiatives are aimed at ensuring that sustainability requirements in international trade agreements are based on scientific evidence and are not imposed unilaterally, which could create non-tariff barriers to trade.

For example, the speaker underlined New Zealand's collaboration with Australia in developing a set of Sustainability Cooperation Principles. These principles are designed to guide international trade negotiations, ensuring that environmental requirements are outcomes-focused, science-based, and ideally agreed upon through multilateral forums. A modified version of these principles was adopted at the APEC Food Security Ministers' Meeting in August 2023, underscoring their relevance and importance in the region.

Ecolabelling has also been a significant area of focus, with New Zealand working to establish best practice guidelines that help consumers make informed choices while preventing ecolabels from becoming trade barriers. This work is critical in promoting sustainable products globally and building consumer confidence in the environmental claims made by producers.

### **Sustainability Provisions in New Zealand Trade Agreements:**

The integration of sustainability provisions within New Zealand's trade agreements, was shown using several key agreements as examples:

#### **1. Agreement on Climate Change, Trade, and Sustainability (ACCTS)**

The ACCTS is a pioneering trade agreement that New Zealand concluded in June, 2024. This agreement sets a high bar by including an extensive list of over 300 environmental goods and services eligible for tariff liberalization. It also introduces guidelines for ecolabelling to assist consumers in making informed choices and establishes a legally binding framework aimed at eliminating harmful fossil fuel subsidies. The ACCTS demonstrates how economies can achieve economic outcomes while also contributing to broader SDGs.

#### **2. Comprehensive and Progressive Agreement for Trans-Pacific Partnership**

The CPTPP, which includes 12 member economies, 11 of which are APEC members, is a cornerstone of New Zealand's trade policy. The Environment Chapter of the CPTPP is legally binding and ensures that member economies enforce their environmental laws without weakening protections to promote trade or investment. This agreement set a new standard for environmental provisions in trade agreements and remains influential in shaping future trade policies.

#### **3. New Zealand-United Kingdom Free Trade Agreement**

The New Zealand-United Kingdom FTA is one of the most comprehensive agreements negotiated by New Zealand, particularly concerning environmental commitments. The Environment Chapter addresses issues such as environmentally harmful subsidies, sustainable agriculture, biodiversity protection, and the transition to a circular economy. This agreement reflects New Zealand's commitment to integrating sustainability into its trade relationships, ensuring that economic growth is aligned with environmental stewardship.

#### **4. New Zealand-European Union Free Trade Agreement**

The New Zealand-European Union FTA is described as a 'gold standard' in trade and sustainable development. It includes significant commitments to combat harmful fisheries subsidies, promote trade in sustainably produced goods, and enforce high levels of environmental protection. This agreement also focuses on combating illegal logging and promoting the conservation and sustainable management of forests, emphasizing New Zealand's proactive role in addressing global environmental challenges through trade.

Ms. Tyler concluded by remarking the importance of continued innovation and collaboration in the development of VSS within trade agreements. Her presentation underscored the need for robust, science-based sustainability standards that support both economic growth and environmental protection in an increasingly interconnected world.

**Speaker 5: Ms. Lu Liu**

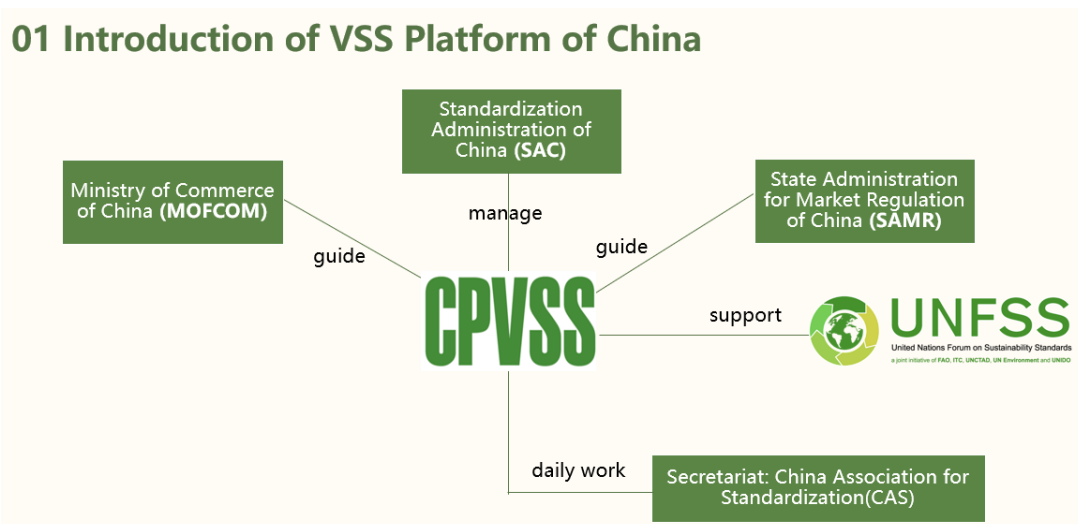
*Project Supervisor, China Association for Standardization, China*

**Topic: “How the VSS platform of China coordinates stakeholders on issues of VSS”**

Ms. Lu Liu in a detailed and precise presentation provided an in-depth look at how China has been advancing VSS to strengthen trade partnerships and foster sustainable development across APEC economies. The session was structured around the introduction of China’s VSS platform, the evolution of VSS within China, and the future outlook for these standards.

**Introduction of the VSS Platform of China:**

The VSS Platform of China was officially launched in 2017. This platform is a collaborative effort managed by the Ministry of Commerce of China, the Standardization Administration of China, and the State Administration for Market Regulation of China, with the China Association for Standardization serving as the secretariat. The platform plays a crucial role in guiding the daily work of VSS coordination and provides support for integrating sustainability into various types of standardization documents.



The platform is instrumental in aligning China’s domestic standards with international sustainability norms, thereby facilitating smoother trade flows and enhancing the credibility of Chinese products in global markets. Liu emphasized the importance of this platform in raising awareness among stakeholders and encouraging the consideration of social, economic, and environmental aspects in standardization processes.



### **VSS Development in China:**

Regarding the development of VSS within China, the speaker numbered several initiatives and sector-specific standards that have been implemented to promote sustainability. She discussed the significant progress made in various industries, including textiles, metals, minerals, chemicals, and electronics. For instance, the China Textile and Apparel Council has developed the Corporate Sustainability Compact for Textile and Apparel Industry (CSC 9000T standard), focusing on social compliance within the textile and apparel industry, while the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters has introduced guidelines for sustainable natural rubber and due diligence guidelines for the mineral supply chain.

The "Guide for Addressing Sustainability in Standards (GB/T 33719-2017)", which provides comprehensive guidelines for integrating sustainability into different types of standardization documents. This guide is a cornerstone of China's approach to VSS, ensuring that sustainability is systematically embedded across various sectors.

### **Looking Towards the Future of VSS in China:**

Looking ahead, Ms. Liu discussed the future direction of VSS in China, with a focus on strengthening international coordination and cooperation with global standardization organizations, including the UNFSS. She emphasized the need for continued collaboration between VSS platforms and international bodies to ensure that Chinese standards align with global best practices, thereby enhancing their acceptance and implementation across different markets.

Ms. Liu pointed out that one of the primary goals is to create a more cohesive and integrated approach to VSS that not only meets domestic needs but also aligns with international expectations, facilitating better market access and trade opportunities for Chinese products.

Ms. Liu concluded her presentation by reaffirming China's commitment to promoting sustainability through the development and implementation of robust VSS. She pointed out the importance of international cooperation in this endeavor and called for ongoing dialogue and collaboration among APEC economies to strengthen the impact of VSS on trade and sustainability.

## 4.5. Session 4: Key learnings and future perspectives in the context of APEC economies

### **Speaker 1: Mr. Chanjong An**

*Deputy Director, Korean Agency for Technology and Standard, Republic of Korea*

*Topic: "Good Recycled (GR) Product Certification: Managing and fostering the voluntary establishment of sustainability standards by small and medium-sized enterprises and future perspectives"*

Mr. Chanjong An delivered a practical and straight-to-the-point presentation on the GR Product Certification system. His session focused on the essential aspects of GR certification, providing a clear and concise overview of how this system supports sustainability through the certification of recycled products in Korea.

### **Background and Purpose of GR Certification:**

The GR Product Certification system was established in 1997 to bolster industrial competitiveness by ensuring the quality of recycled products. This certification was created to address consumer distrust in recycled goods and to promote the use of recycled materials across various industries. By setting rigorous quality standards, the GR certification aims to enhance consumer confidence and contribute to the broader circular economy.



The certification process is overseen by the Ministry of Trade, Industry, and Energy and implemented through the Korea Resource Recycling Industry Certification Institute. The system not only assures product quality but also serves as a key tool for improving resource productivity and supporting sustainable development.

### **GR Certification Process:**

The presentation moved efficiently into an explanation of the certification procedure, outlining the key steps involved. Mr. An described the multi-stage process, which includes application submission, expert review, on-site audits, and final certification approval. The process is designed to ensure that products meet high standards for recycling rates, quality control, and environmental management.

The certification is aligned with international standards, which helps Korean products gain wider acceptance in global markets. Mr. An stressed that the certification process is both rigorous and transparent, with well-defined criteria that manufacturers must meet.

### **Incentives and Benefits:**

Incentives linked to GR certification have been fundamental in encouraging manufacturers to seek certification. One of the main incentives is that public organizations in the Republic of

Korea are required to prioritize purchasing certified green products, thereby creating a stable market for recycled goods.

Additionally, the certification simplifies the process of proving the origin of products for FTA, facilitating international trade. Data showed substantial growth in sales of GR-certified products, particularly in the steel industry, highlighting the economic advantages of certification.

As a conclusion Mr. An reaffirmed the importance of the GR certification in promoting a circular economy and sustainable industrial practices. He advocated for continued expansion of GR standards adoption, both domestically and internationally, to ensure that recycled products become more widely accepted in global markets. Also underscored the role of certification in enhancing product quality, building consumer trust, and advancing sustainability in the manufacturing sector.

***Speaker 2: Mrs. Silvia Arispe***

*General Manager, Campo Verde S.A.C., Peru*

***Topic: " Key learnings about opportunities and challenges faced by exporters related to VSS "***

Mrs. Silvia Arispe delivered a comprehensive and close to the ground presentation, drawing on her extensive experience as a certified coffee producer in Peru. Her session provided a detailed exploration of the opportunities and challenges faced by Peruvian exporters in the last decades while implementing VSS, particularly within the coffee industry.



**The Economic and Social Importance of Coffee in Peru:**

Mrs. Arispe began by emphasizing the significant economic, social, and environmental role that coffee plays globally, particularly for developing regions. She noted that over 90% of coffee production occurs in developing areas, while consumption is concentrated in more industrialized regions. Coffee is the second most traded commodity worldwide, following oil, and serves as a livelihood for millions of small producers and agricultural workers.

She further discussed how Peru has become a leader in organic coffee production, with over 140,000 hectares certified for organic farming. The economy's early adoption of organic and fair-trade standards allowed it to establish a strong presence in international markets, securing better prices and conditions for its producers.

**Implementation of VSS in the Coffee Sector:**

Mr. Arispe detailed the history and development of various VSS within the Peruvian coffee sector, including Organic, Fair Trade, and Rainforest Alliance certifications. She explained how these standards were initially developed by producer associations to improve market

access and ensure better business prospects for small-scale farmers. Over time, these standards have evolved to address not only environmental sustainability but also social equity and economic viability.

A significant challenge, however, has been the high cost of certification, particularly due to the existence of multiple standards with varying requirements. The speaker pointed out that these costs can be burdensome for small producers, who must allocate additional resources for training, internal control systems, and compliance with stringent international regulations like the European Union's new deforestation regulation.

### **Challenges and Future Directions:**

Addressing the future of VSS in Peru, Mrs. Arispe highlighted the need for more inclusive certification approaches that not only support sustainable production but also foster the development of producers specialized in their respective crops. She called for a common framework of collective action and shared responsibility among all stakeholders in the supply chain.

The European Union's Deforestation Regulation requires that products imported into the EU, such as coffee, be proven not to come from deforested land. This regulation imposes additional requirements on Peruvian exporters, including geolocation data and compliance with local legislation. The need for better coordination and support from both the public and private sectors to meet these new challenges is required.

Mrs. Silvia Arispe concluded by urging the continued promotion of sustainability within a framework of shared responsibility and collective action. She advocated for the development of new, more inclusive certification approaches that can help mitigate the challenges faced by small producers, particularly in the face of increasingly stringent international regulations. Her presentation provided valuable insights into the practical realities of implementing VSS in a developing economy like Peru, offering a grounded perspective on the complexities and opportunities of sustainable trade.

**Speaker 3: Mr. Ángel Burgos Barreto**

Tzeltal-Tzotzil Cooperative

Fairtrade Regional Producer Network for Latin America and the Caribbean

**Topic:** " Fairtrade: Advancing Producers' Economic Development in the APEC Region "

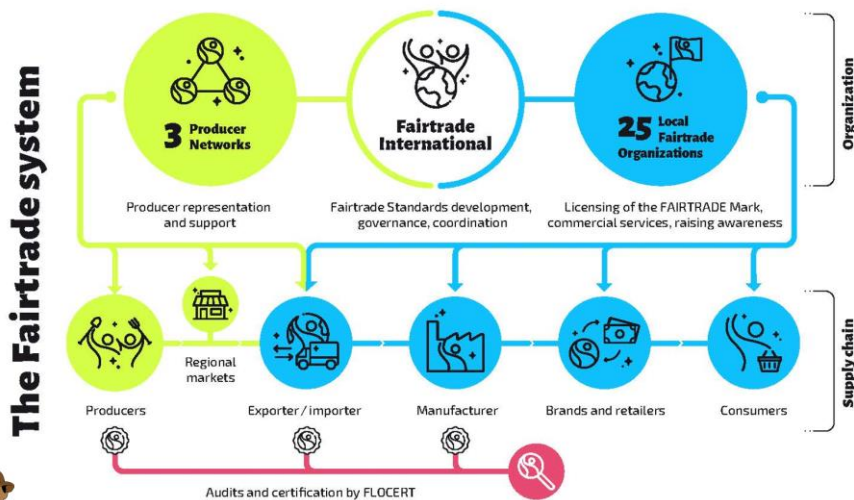


Mr. Angel Burgos Barreto, as both the Representative of the Tzeltal-Tzotzil Cooperative in Mexico and a Fairtrade Representative, delivered an outstanding and reality-based presentation. Drawing from his extensive experience in these roles, he provided a deep and insightful exploration of how Fairtrade certification impacts economic development, particularly within indigenous communities in the highlands of Chiapas, Mexico. His presentation shed light on the successes, challenges, and future opportunities for Fairtrade-certified producers across the APEC region.

**Economic and Social Benefits of Fairtrade:**

Mr. Burgos emphasized the significant role that Fairtrade plays in supporting economic development and improving the livelihoods of smallholder producers. He elaborated on how Fairtrade's minimum price guarantee and the Fairtrade Premium have provided financial stability and enabled investments in vital community projects.

As the Representative of the Tzeltal-Tzotzil Cooperative, Burgos shared the cooperative's journey since becoming Fairtrade certified in 1999. He detailed its growth from 150 to 352 members and highlighted key achievements, such as improved infrastructure for coffee and honey processing, along with initiatives focused on inclusion, equity, and capacity building within the local community.



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### **Challenges Faced by Fairtrade Producers:**

Addressing the significant challenges that Fairtrade producers face, the speaker discussed issues like low wages, climate change impacts, and rising production costs. He noted that while Fairtrade has mitigated some of these challenges through better prices and market access, producers still confront intense competition and must navigate complex international regulations, including the European Union's Deforestation Regulation and Organic Regulations.

Burgos also pointed out the discrepancy between the sustainability demands from the industry and the limited investment to meet these demands. He emphasized the need for a balanced approach that considers both consumer preferences for sustainable goods and the financial realities faced by producers.

### **Recommendations and Future Directions:**

Looking ahead, Mr. Burgos called for increased investment in consumer education on sustainable production practices, advocating for both formal and informal avenues to foster greater awareness. He also suggested that trade regulations should support sustainability without creating barriers for producers who are already committed to such practices.

Also recommended the provision of incentives to encourage value addition, diversification, and digitalization in rural communities. He argued that these measures would enhance economic outcomes for producers and contribute to broader goals such as job creation and youth involvement in sustainable agriculture.

Mr. Angel Burgos concluded his presentation by reinforcing the importance of Fairtrade in promoting sustainable economic growth for smallholder producers. He underscored the need for continued support of Fairtrade initiatives, advocating for collective action to address the ongoing challenges faced by producers in the APEC region. His presentation, grounded in his dual roles as a Cooperative and Fairtrade Representative, offered a realistic and comprehensive perspective on the vital role Fairtrade plays in sustainable development and improving the lives of producers.

### **4.6. Session 5: Breakout session to identify gaps and opportunities through discussion on topics such as key challenges, issues, research findings and case studies, and reflect on practical application to their home economies**

The breakout session was divided into three main topics, each moderated by a subject matter expert. Participants were divided into three groups, with each focusing on a specific topic related to VSS. The session began with clear instructions provided by Mr. Rupérez, who outlined how the discussions would be conducted and what was expected from the participants. He emphasized the importance of active engagement, urging everyone to fully contribute to the conversations within their assigned groups.

To facilitate the process, participants received slips of paper at random to determine their group assignment. The discussions within the groups were aimed at generating actionable insights that could later be translated into specific policy recommendations.

Following these discussions, representatives from each group presented their findings and proposed recommendations. This was followed by a Q&A session, allowing for further exploration of the ideas presented. The session concluded with a summary of the key recommendations, ensuring that the discussions were productive and led to meaningful policy outcomes.

#### 4.6.1. Topic 1: Challenges and opportunities of VSS in the agricultural and mining sectors

**Moderator: Mr. Rodrigo Rupérez**

*APEC Consultant*

This discussion focused on the specific challenges and opportunities related to implementing VSS in the agricultural and mining sectors. Participants shared insights and explored potential strategies to enhance the effectiveness of VSS in these industries. Below are identified challenges, opportunities and policy recommendations.

##### **Challenges:**

- **Funding and Knowledge Barriers:** Small-scale producers often face financial constraints and a lack of knowledge, making it difficult for them to meet VSS requirements. The cost of certification and the complexity of VSS processes add to these challenges.
- **Variety of Certifications:** The existence of multiple certification standards creates confusion and increases the burden on producers who must comply with varying requirements.
- **Sectoral Focus:** Maintaining a consistent focus on sustainability across sectors is challenging, as priorities may shift, leading to a loss of momentum in VSS implementation.
- **Measuring Sustainability:** There is a lack of clarity on how to accurately measure and evaluate sustainability outcomes, making it difficult to assess the effectiveness of VSS.

##### **Opportunities:**

- **Government Involvement:** There is a significant opportunity for governments to play a more active role in supporting VSS, particularly by providing financial and technical assistance to small-scale producers.
- **Harmonization of Standards:** Aligning and harmonizing VSS across APEC economies presents an opportunity to reduce trade barriers and facilitate smoother market access.
- **Capacity Building:** Investing in capacity building for both producers and regulators offers a pathway to improve the implementation and understanding of VSS, thereby enhancing their overall effectiveness.

- **Establishing Common Guidelines:** APEC can establish common sustainability guidelines, allowing for tailored implementation across different sectors while maintaining a unified approach.
- **Comparative Study:** Conducting a comparative study on VSS could provide valuable insights into best practices and discover opportunities for improving the integration of VSS into trade agreements and policies.

#### **Policy recommendations:**

- **Enhanced Government Involvement in VSS:**
  - Consider playing a more active role in supporting VSS initiatives, particularly for small-scale agricultural producers. Providing financial resources, technical assistance, and educational programs could be beneficial in helping these producers meet VSS requirements effectively.
  - Encouraging the harmonization and equivalence of VSS across APEC economies could facilitate smoother trade and mutual recognition of certifications. Aligning standards in this way may help reduce market entry barriers and ensure consistent application of sustainability measures.
- **Strengthening Government and Private Sector Collaboration:**
  - Fostering greater alignment between government bodies and the private sector could enhance the implementation and enforcement of VSS. Collaborative efforts might lead to the development of more coherent and effective sustainability practices that benefit all stakeholders involved.
  - Additionally, initiatives focused on capacity building for both producers and regulators could significantly improve the understanding and implementation of VSS. By investing in capacity building, economies can ensure that all parties have the necessary skills and knowledge to effectively adopt and maintain these standards.
- **Establishing Common APEC Guidelines:**
  - Explore the establishment of common guidelines that set different levels of sustainability across sectors. Such a framework could provide economies with the flexibility to implement VSS according to their specific needs while maintaining adherence to a shared standard.
- **Conducting a Comparative Study on VSS:**
  - APEC might consider undertaking a comparative study on VSS, focusing on the specific requirements and market impacts in various sectors. This study could help identify best practices, existing gaps, and offer valuable insights into how VSS can be more effectively integrated into trade agreements and domestic policies.



#### 4.6.2. Topic 2: Challenges and opportunities for APEC economies in meeting sustainability requirements, including through VSS

**Moderator: Dr. Ralf Peters**

*Head of Trade Analysis Branch, UNCTAD*

This topic addressed the broader challenges and opportunities that APEC economies face in meeting sustainability requirements, particularly through the use of VSS. The discussion included an analysis of current practices and the exploration of new approaches to overcome these challenges. Below are identified challenges, opportunities and policy recommendations.

##### **Challenges:**

- **Multiplicity of Standards:** Compliance with various VSS across sectors is complex and burdensome, especially for SMEs, due to differing requirements across economies and value chains.
- **Implementation Costs:** The financial burden of VSS implementation, including audit and compliance costs, is significant, particularly for smaller enterprises, limiting broader adoption.
- **Over-Supply of Certifications:** Multiple certification schemes create confusion, making it difficult for producers to choose the right certification and for consumers to understand their value.
- **Informality:** Many producers operate informally, complicating VSS adoption due to a lack of resources and incentives for certification.

##### **Opportunities:**

- **Standardization:** Consolidating VSS requirements across sectors could simplify compliance and make standards more accessible to producers.
- **Capacity Building:** Enhancing training programs can improve understanding and implementation of VSS, ensuring better compliance.
- **Financial Support:** Developing financial mechanisms to help producers with certification costs can facilitate broader participation in VSS.
- **Systematization of Information:** Creating a centralized platform for VSS requirements can improve accessibility and compliance across markets.

##### **Policy Recommendations:**

- **Consolidation and Adaptation of Standards:** It would be beneficial to explore ways to consolidate existing VSS to facilitate their application across different sectors. Adapting these standards to fit the specific needs of each sector can reduce the burden on producers and streamline compliance processes.
- **Support for Capacity Building:** Strengthening the abilities of users to comply with VSS is essential. It is recommended that competent entities within each economy take responsibility for providing the necessary training and support. This could involve the establishment of a focal point within the government to oversee capacity building programs tailored to private schemes.

- **Facilitation of Financial Support:** Facilitating access to financial resources, mechanisms, or instruments that contribute to VSS certification can be a key factor in increasing compliance. This support could help alleviate the cost burden on producers, particularly MSMEs, and encourage broader adoption of VSS.
- **Systematization of VSS Information:** Systematizing the information on VSS requirements and making it accessible to users across different markets is recommended. This could involve creating a centralized platform where producers can easily access the standards and certifications relevant to their products and markets, thereby improving compliance and market access.

#### 4.6.3. Topic 3: Challenges and opportunities of including sustainability issues and/or VSS in trade agreements

**Moderator: Prof. Dr. Thomas Dietz**

*International Relations and Law of the Institute for Political Science, University of Münster*

This discussion centered on the complexities and potential benefits of incorporating sustainability issues and VSS into trade agreements. Participants examined case studies and shared experiences from various regions, aiming to identify best practices and potential policy recommendations. Below are identified challenges, opportunities and policy recommendations.

##### **Challenges:**

- **Economic Costs:** Higher costs of implementing sustainability standards can create trade barriers, especially for economies with less developed infrastructure.
- **Local Conditions:** The varying infrastructure quality across economies makes it difficult to apply VSS uniformly.
- **Multiplicity of Standards:** Numerous VSS complicate integration into trade agreements, leading to inconsistencies.
- **Regulatory Changes:** Disparities between mandatory trade agreement requirements and voluntary VSS can lead to disputes.
- **Trust and Inclusivity:** Building trust and ensuring inclusivity across different economic capacities remains a challenge.

##### **Opportunities:**

- **Integration and Recognition:** Supporting the integration and mutual recognition of VSS across economies can enhance collaboration.
- **Harmonization:** Promoting the harmonization of sustainability standards, aligned with global concepts like SDGs, can reduce duplication.
- **Capacity Building:** Strengthening the skills and knowledge of officials and stakeholders can improve VSS implementation.
- **Consumer Rights and Supply Chains:** Enhancing consumer rights and supporting sustainable supply chains can boost exports and market access.
- **A consensus on human rights**

## Policy Recommendations:

- **Establish Frameworks and Guidelines:** It is suggested to establish general frameworks and guidelines for including sustainability issues in trade agreements across all economic sectors. These frameworks could provide clear directions for integrating sustainability without imposing undue burdens on producers.
- **Encourage Harmonization of Standards:** Encouraging the harmonization of VSS across economies could facilitate smoother trade and reduce the complexities associated with multiple standards. This could involve mutual recognition agreements that align VSS with existing international norms and practices.
- **Promote Capacity Building:** Investing in capacity building for government officials and stakeholders is crucial. This could help ensure that sustainability considerations are integrated into trade agreements effectively, and that economies are equipped to meet the associated requirements.
- **Support Public-Private Partnerships:** Exploring public-private partnerships could be beneficial in addressing the challenges of implementing VSS in trade agreements. These partnerships could help align public policy with private sector initiatives, promoting a more cohesive approach to sustainability.
- **Enhance Consumer Awareness and Rights:** Enhancing consumer awareness of sustainability standards and protecting consumer rights can boost the credibility of VSS. This, in turn, could lead to greater market acceptance and adherence to sustainable practices within trade agreements.

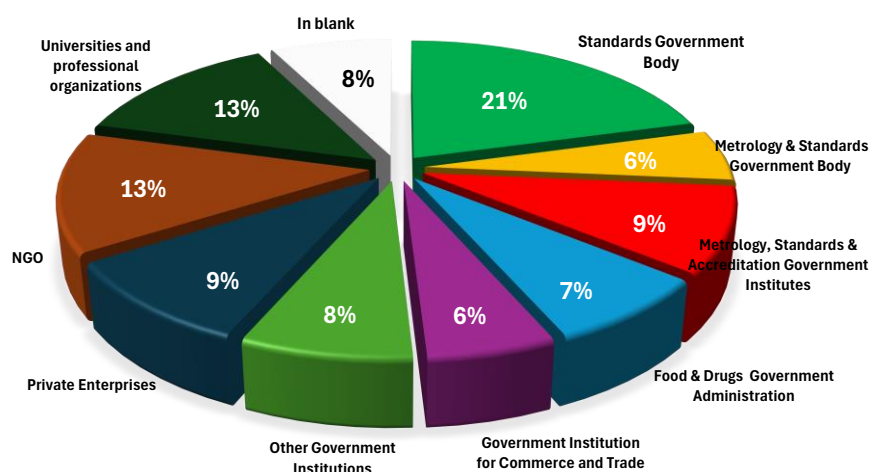
## 5. Post-Conference Survey

A post-conference survey from the 15th Conference on Standards and Conformance (APEC Project SCSC 203\_2023A) was conducted to evaluate participants' understanding and commitment to implementing the initiatives discussed, particularly those related to VSS. The survey also sought feedback on promoting VSS, conformity assessment, and metrology to strengthen trade partnerships and economic cooperation among APEC economies.

### 5.1. Respondents and economy characteristics

The total number of respondents was 53, from which 53% were women, 41% were men, and 6% preferred not to say. Only three individuals identified themselves with disabilities, amounting to 6% of the total respondents. A total of 11 member economies participated in the Post Evaluation Survey: Australia; Canada; Chile; Indonesia; Malaysia; New Zealand; Peru; The Philippines; Chinese Taipei; Thailand; and Viet Nam. Figure 14 shows the type of institutions that were represented in the survey.

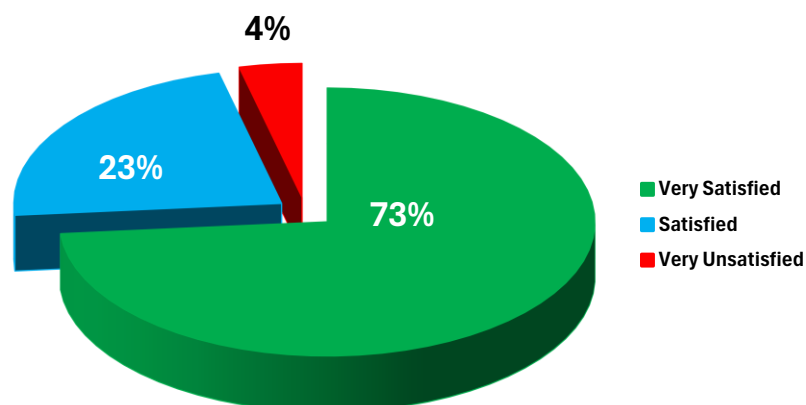
Figure 14. Institutions represented



## 5.2. Conference contents

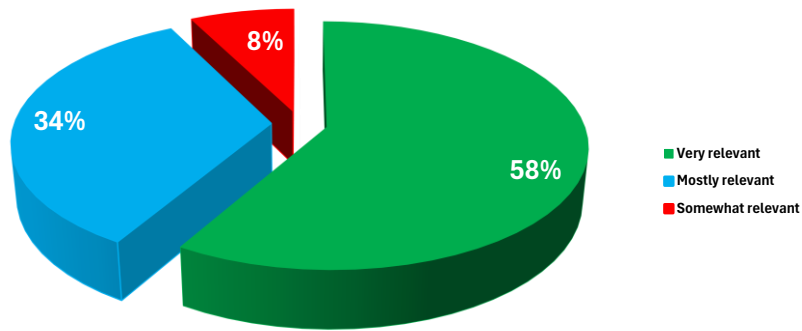
The survey posed a question about the satisfactory level of the conference, 96% of the respondents were either very satisfied or satisfied, and only 4% - one respondent - reported being very unsatisfied, as shown in Figure 15.

Figure 15. In general, how satisfied were you with the conference?



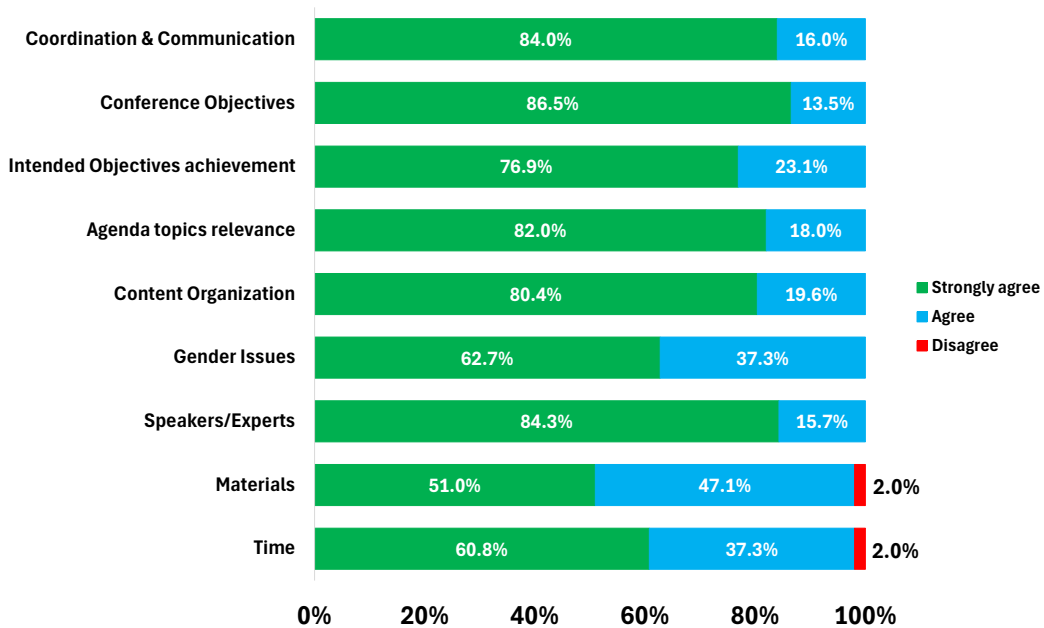
With respect to the question about the relevance of this project to respondents and their economies, it is important to note that five response options were offered: 'Very relevant', 'Mostly relevant', 'Somewhat relevant', 'Little relevant', and 'Not relevant'. As shown in Figure 16, a significant majority of participants (92%) viewed the project as either very or mostly relevant, reflecting an overall positive assessment. However, the 8% of respondents who rated the project as 'Somewhat relevant' suggested there may be opportunities to address unmet needs or expectations for a small group. Notably, no respondents selected 'Little relevant' or 'Not relevant,' with both options receiving 0% of responses. Comments from the respondents highlighted their appreciation for VSS as a tool for enhancing trade, sustainability, and long-term planning in both developed and developing economies.

Figure 16. How relevant was this project to you and your economy?



Then, the survey asked about specific aspects of the conference. Figure 17 demonstrates high levels of satisfaction overall, with a few areas needing attention for future events.

Figure 17. Level of agreement on specific aspects of the conference



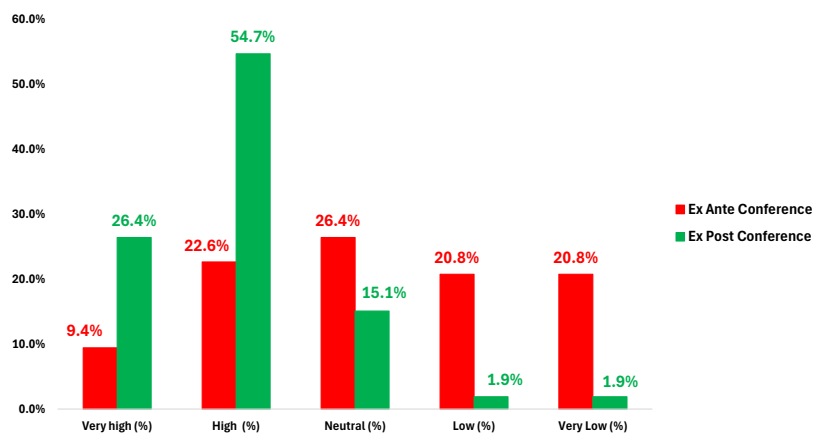
The majority of the respondents strongly agreed with most aspects of the conference, especially regarding communication, objectives, and speakers selection. Gender issues saw a relatively lower share of strong agreement, indicating this aspect could be strengthened in future conferences. Materials and time management received a minor share of disagreement, indicating potential areas for improvement. In the case of materials, it is important to note that the lower approval rating may be due to the fact that these resources will be made available on the APEC website after the conference.

Key findings from the comments are:

- Given that only 7 comments were received out of more than 50 respondents who completed the survey, it suggests that while the overall feedback was positive, there is a limited sample of in-depth qualitative insights.
- Recurring suggestions from the comments included extended time for discussions, more practical examples of VSS applications, and the timely sharing of materials.

One question asked respondents to rate their level of knowledge and skills of VSS BEFORE (Ex Ante) and AFTER (Ex Post) to participating in the event, including related opportunities and challenges of their implementation. The results are shown in Figure 18 and Figure 19.

Figure 18. Level of knowledge and skills of VSS before and after the conference  
(% of participants)



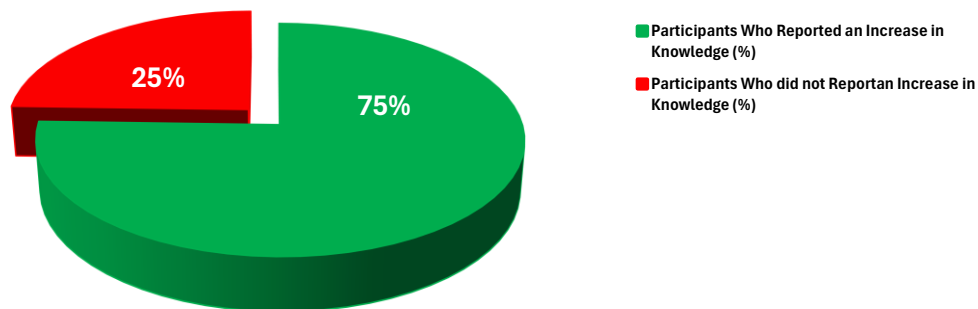
On the one hand, Figure 18 shows the distribution of participants' self-assessed knowledge levels before and after the conference. After the conference, the distribution changed in the following manner:

- Significant Improvement in Knowledge:
  - After the conference, 54.7% of participants rated their knowledge as 'High', a notable increase from the 22.6% who rated their knowledge as high before the conference.
  - The percentage of participants who rated their knowledge as 'Very High' increased from 9.4% to 26.4%, demonstrating a clear improvement in understanding after the conference.
- Reduction in Neutral and Low Ratings:
  - The neutral responses decreased from 26.4% before the conference to 15.1% after the conference.
  - Participants who rated their knowledge as 'Low' dropped from 20.8% to just 1.9%, indicating that the conference successfully addressed gaps in knowledge.

- Decrease in Very Low Ratings:
  - Before the conference, 20.8% of participants rated their knowledge as 'Very Low'. After the conference, this percentage dropped dramatically to 1.9%, showing that the event had a strong educational impact.

In conclusion, Figure 18 highlights the effectiveness of the conference in significantly improving participants' knowledge and skills related to VSS, as indicated by the marked increase in 'Very High' and 'High' ratings post-conference, and the significant reduction in 'Low' and 'Very Low' ratings.

Figure 19. Enhancement of knowledge and skills of VSS (% of participants)



On the other hand, Figure 19 measures the total proportion of participants who reported an increase in their knowledge, rather than detailing specific knowledge levels. It demonstrates that 75% of participants reported an increase in knowledge and skills, surpassing the project's target of 70%. This achievement exceeds the goal by 5%, indicating that the objective of enhancing participants' knowledge and understanding of VSS, along with the associated opportunities and challenges, was not only met but exceeded. The result highlights the success of the project in building capacity among participants in VSS.

Regarding the question about the conference's results and achievements, a total of 48 responses were received, and after analysis, the most important conclusions are as follows:

- The conference achieved several key outcomes, primarily enhancing understanding of VSS across APEC economies.
- Participants recognized the importance of balancing government and stakeholder interests and highlighted the challenges of implementing VSS, especially regarding cost and time.
- There was an agreement on the need for gradual implementation and shared responsibility for sustainability standards.
- Key achievements include increased awareness of VSS, exchange of knowledge and experiences, and the creation of policy recommendations for VSS development.
- The conference emphasized the role of VSS in trade and the need for collaboration between the public and private sectors.
- Participants also identified the need for standardized terms, processes, and guidelines across economies to address common challenges and support trade.

Overall, the conference fostered dialogue on policy recommendations, highlighted the complexity of VSS, and encouraged collaboration among economies to strengthen trade and sustainability efforts.

Moreover, there was a question about new skills and knowledge that respondents gained from this conference, a total of 45 responses were collected, and they highlight the following key areas of skills and knowledge:

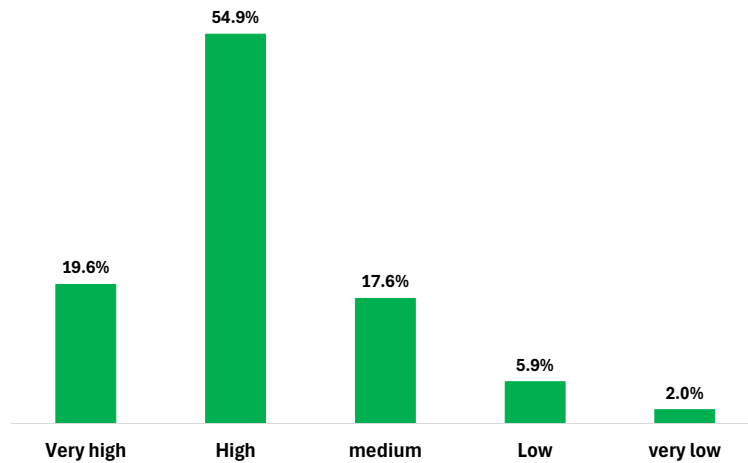
- Understanding of VSS: Participants improved their understanding of VSS, including their history, challenges, and connections to trade policies and supply chains.
- Challenges in Implementation: There were discussions about the complexities in implementing VSS across economies, emphasizing the need for structured mechanisms and certifications.
- Global Perspective: Participants gained insights into how different economies approach VSS, focusing on aligning domestic practices with global standards and trade agreements.
- Practical Skills: The event provided knowledge on the importance of leadership, innovation, and teamwork in promoting VSS.
- Sector-Specific Insights: Participants learned about the role of VSS in sectors like mining, agriculture, and SMEs.

In general, there was a deepened understanding of VSS and its global impact, along with strategies for effective implementation.

Similarly to the previous question, the survey asked whether respondents have strengthened capacities in evaluating how VSS could contribute to sustainable trade and serve as a cooperation mechanism among APEC members economies when VSS are based on science and follow internationally agreed methodologies. As shown in Figure 20, the conference had a positive impact on participants' capacities, with most reporting substantial improvement.



Figure 20. Have you strengthened capacities in evaluating how VSS could contribute to sustainable trade and serve as a cooperation mechanism among APEC members economies when VSS are based on science and follow internationally agreed methodologies?

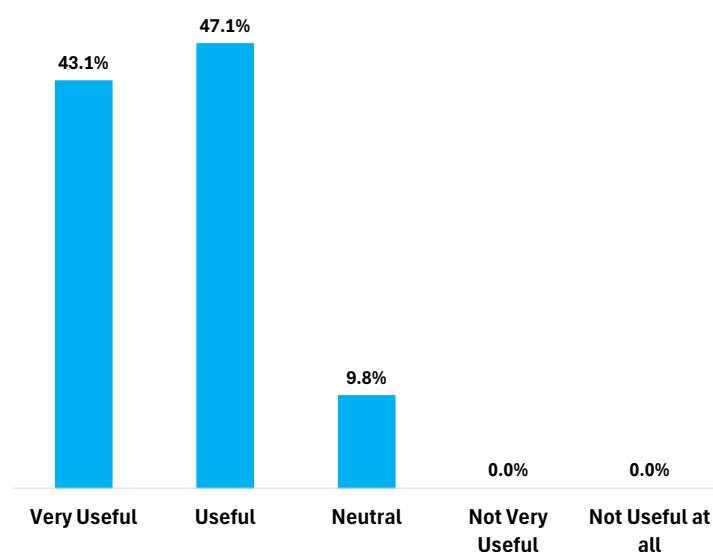


Key insights are:

- Most participants (about 92.1%) replied that their capacity to evaluate how VSS contributes to sustainable trade and cooperation mechanisms was strengthened to a medium to very high degree.
- A smaller portion (7.9%) felt their capacity was strengthened only minimally (low or very low).
- The 'High' category being the largest indicates that the conference or event was largely successful in enhancing participants' capacity building on understanding of VSS and their role in sustainable trade and cooperation among APEC economies.

Then, there was a question on how useful the acquired knowledge will be for the respondents' work and their institutions and economies. Figure 21 shows the results.

Figure 21. How useful will the acquired knowledge be for your work / institution / economy?



Key observations are:

- **High Perceived Usefulness:** A significant majority of the participants found the knowledge gained to be either 'Very Useful' (43.1%) or 'Useful' (47.1%). This indicates that almost all respondents believe the insights from the event will positively impact their work or institution.
- **Neutral Responses:** A small portion of the participants, 9.8%, rated the acquired knowledge as 'Neutral', indicating that for a few individuals, the applicability of the information may not have been immediately relevant or clear.
- **No Negative Responses:** Notably, there were no responses indicating that the knowledge was 'Not Very Useful' or 'Not Useful at All'. This suggests that the content delivered was generally perceived as valuable by all participants.

In summary, these results demonstrate a strong endorsement of the event's relevance and usefulness, with most participants finding the acquired knowledge beneficial for their professional or institutional roles.

Next question was about how respondents will apply the conference's content and knowledge gained at their workplace. The responses to this question reveal a range of strategies and actions participants plan to implement. Key themes include:

- **Development and Promotion of Standards:** Many participants expressed intentions to develop new standards in their respective economies, particularly focusing on integrating VSS into existing frameworks and promoting awareness of these standards among stakeholders.
- **Incorporation into Policy and Strategies:** Several respondents plan to consider VSS when developing policy positions, creating work plans, and forming strategies, indicating that the knowledge gained will directly influence policymaking and strategic development within their organizations and governments.
- **Training and Awareness:** Participants highlighted the importance of educating government officials, producers, and other stakeholders about VSS. This includes

organizing training sessions and integrating VSS-related content into existing educational and training programs.

- **Research and Knowledge Sharing:** Some participants plan to conduct further research on VSS topics, share the knowledge with relevant stakeholders, and use it as a basis for discussions in various forums and workshops.
- **Cross-Sectoral Collaboration:** The responses also indicate plans to collaborate with the private sector and other stakeholders to ensure the effective implementation of VSS. There is a recognition that VSS implementation requires coordinated efforts across different sectors and agencies.

Overall, the responses reflect a commitment to applying the knowledge gained from the conference to enhance standards, policies, and practices related to VSS, with a focus on sustainability and international trade.

### 5.3. Way forward

The survey posed a question on what needs to be done next APEC and whether there are plans to link the project's outcomes to subsequent collective actions by fora or individual actions by economies. The responses to these questions suggest a variety of actionable steps focused on advancing VSS. Key recommendations include:

- **Harmonization and Mutual Recognition:** A strong emphasis on the need for harmonizing VSS across APEC economies and promoting mutual recognition to avoid overlapping standards. This includes exploring the possibility of creating a unified VSS scheme and certificate.
- **Research and Best Practices:** Many respondents advocate for continued research on VSS by sector and sharing knowledge and best practices among economies. This includes conducting comparative studies and developing best practices related to government roles in VSS implementation.
- **Policy Development and Coordination:** Several responses highlight the importance of APEC facilitating policy development around VSS, potentially through creating a working group or developing a consensus on standardized VSS criteria.
- **Training and Awareness:** There is a call for organizing training courses, raising awareness, and encouraging deeper understanding of VSS, particularly through continuous engagement and communication with stakeholders.
- **Follow-up Projects:** Suggestions include implementing follow-up projects that focus on specific sectors, comparative analysis of VSS, and ongoing monitoring of VSS initiatives within APEC.
- **Inclusion of New Technologies:** A few responses indicate the need to consider emerging technologies like AI in future VSS discussions, especially in terms of improving economic outcomes.
- **Sector-Specific Recommendations:** Specific sectors, such as mining, are mentioned as areas for focused analysis, comparing market-led and non-market-led VSS.

- **Enhancing Participation and Communication:** Increasing sponsorship for broader participation, improving communication channels with stakeholders, and establishing more platforms for sharing project outcomes are also suggested.

In general, the responses suggested a comprehensive strategy that includes harmonization, research, policy development, training, and continuous engagement to advance the implementation and impact of VSS within APEC economies.

Lastly, the survey asked how this conference and project could have been improved. The feedback provided in response to this question highlights several key areas for potential enhancement:

- **Language and Accessibility:** There were suggestions for providing more information in multiple languages and including remote participation options to increase accessibility.
- **Content and Structure:** Participants appreciated the event but suggested improvements such as:
  - Pre-preparing draft outcomes for discussion during the workshop.
  - Providing presentations and materials before the conference.
  - Adding more workshops, brainstorming sessions, and small group discussions to deepen the focus on specific topics.
  - Including more practical experiences, such as inviting farmers and producers to share their experiences with VSS implementation.
- **Engagement and Participation:** There were recommendations to involve a broader range of stakeholders, including students and representatives from the quadruple helix (public, private, civil society, and academia), to enrich the dialogue and perspectives.
- **Content Focus:** Some participants suggested a more targeted approach, focusing on specific sectors, environmental, economic, and social aspects of VSS, and conducting deeper analyses or comparisons of APEC economies' policies.
- **Case Studies and Success Stories:** There was a strong interest in sharing more practical cases, successful implementations of VSS, and reviewing investigative studies to provide concrete examples that could be replicated in other economies.
- **Logistics and Organization:** Participants commended the organization of the event but mentioned that breakout group activities with more challenging questions and variations in presentation topics could enhance the effectiveness of the sessions.

Overall, the feedback reflected a positive reception of the conference with constructive suggestions for improving future iterations, focusing on accessibility, deeper content engagement, and the inclusion of practical examples and diverse stakeholder perspectives.

## 6. Policy Recommendations

APEC economies put forward the following policy recommendations, drawing on insights from the diagnostic report, pre-conference survey, the 15th SCSC Conference, and post-conference survey, thereby concluding the project's activities.

1. **The 15th SCSC Conference recommends continuing to address sustainability issues and VSS in the APEC framework.**
  - The post-conference survey echoed and provided details to this recommendation. Suggested follow-up work in the APEC framework are (1) to conduct capacity building activities such as training courses and awareness-raising programs through continuous engagement and communication with stakeholders; (2) to next-phase projects to enhance the understanding and implementation of VSS; and (3) to facilitate policy development and coordination around VSS potentially through creating a working group or developing a consensus on standardized VSS criteria.
  - Follow-up work could take such approaches as comparative analysis of VSS; sector-specific approach (such as mining sector, comparing market-led and non-market-led VSS); and ongoing monitoring of VSS initiatives within APEC.
  - Substantive topics for follow-up work are mentioned in the next recommendations.
2. **Exchange experiences and information among APEC economies.**
  - Encourage the exchange of experiences, best practices, and technical knowledge related to VSS among APEC economies. This could contribute to greater coherence in sustainability practices across the region.
3. **Address the proliferation and recognition of VSS, risking their credibility.**
  - Concerns about the credibility of VSS (“greenwashing” issue) amid their proliferation were consistently raised and discussed from the diagnostic report through to the 15<sup>th</sup> SCSC conference.
  - Develop an agreed framework to oversee the recognition of VSS, potentially integrating these standards within broader international trade regimes such as the WTO to ensure transparency and non-discrimination.
  - Establish a recognition system that can distinguish credible VSS from non-credible ones, which is essential for maintaining the trust and effectiveness of these standards. For example, substantive requirements of VSS should be based on science and internationally agreed methodologies.
4. **Promote the convergence of recognition systems including international standards.**
  - The convergence of recognition systems is considered as one way to avoid the proliferation of overlapping VSS, which was also consistently raised and discussed from the diagnostic report through to the 15<sup>th</sup> SCSC conference.
  - Develop recognition systems that align substantive, procedural, and value-chain requirements, ideally following existing guidelines from the ISEAL Alliance and ISO/IEC standards.
  - Mutual recognition among VSS, harmonization of VSS by creating a unified VSS scheme and certificate and domestic standards bodies to bridge the ‘grey area’ between VSS and international standards, for example, by bringing VSS to ISO for joint discussion were discussed as potential means to achieve the convergence.

5. **Consider the use of accredited conformity assessments.**
- This recommendation targets the finding that the VSS ecosystem does not use accreditation as often as conventional international standards do. Conformity assessment of VSS should reflect genuine sustainability efforts through robust mechanisms to verify and monitor VSS compliance.
  - Ensure that VSS are applied consistently and effectively across different economies through accredited conformity assessments.
6. **Define the roles of public and private actors related to sustainability issues and VSS.**
- The project showcased the possibility of integrating sustainability issues and VSS into FTAs. Various examples of FTAs and four types of FTA provisions (cooperation, recognition, encouragement and implementation) were presented from the diagnostic report through to the 15<sup>th</sup> SCSC conference. Also, the inclusion of each type of provision was considered generally positively.
  - Define and clarify the roles of public and private actors in incorporating sustainability issues into trade agreements, including the use of VSS.
  - Establish a framework that aligns with international standards and sustainable development priorities, ensuring that VSS can be integrated with clarity, consistency and stability rather than creating unnecessary trade barriers.
  - Promote regulatory coherence by harmonizing VSS with domestic policies and international trade agreements, and provide financial and technical incentives to help businesses, especially SMEs, comply with VSS.
7. **Build capacity for VSS in priority sectors such as agriculture, mining, and fisheries, among others.**
- Capacity building is another issue that was consistently raised and discussed throughout the project. The focus could be on filling in the gap across sectors and sustainability purposes.
  - Invest in targeted training programs and resources to empower local producers, enabling them to implement and benefit from VSS effectively.
  - Strengthen the skills and knowledge of government officials and stakeholders to ensure the integration of sustainability issues and VSS into trade agreements and other relevant policies. ‘Limited access to information’, ‘lack of awareness’, and ‘inadequate infrastructure’ were mentioned as major constraints to adopt VSS in public policies.
  - Increase sponsorship for broader participation and improve communication channels with stakeholders to foster cross-fora collaboration throughout the policy process.
  - If economies seek to include VSS provisions in FTAs, it is important to include the provision on technical assistance and capacity building. It could support developing economies and SMEs in implementing the VSS provisions, as well as adopting and complying with VSS in markets, ensuring that they have the necessary resources and expertise.

## 7. Conclusion

Building on the 2021 APEC workshop and the 2022 APEC report on VSS, the project “SCSC\_203\_2023A” on the 15th SCSC Conference took deeper look into VSS, with a focus on VSS integration into trade relations and trade agreements.

VSS and trade agreements were a novel topic for APEC SCSC constituents. According to the pre-conference survey, only 27% of the respondents were aware of FTAs addressing sustainability issues and VSS and only 23% had been engaged in the FTA development or negotiation. However, this novelty rather served as a great opportunity for the constituents to discover new perspectives and learn knowledge and skills in new areas. 92,1% of the respondents to the post-conference survey firmly agreed that they strengthened their capacities in evaluating VSS’s contribution to sustainable trade. Also, 90.2% of them reported that the acquired knowledge would be useful for their work, institutions and economies.

The project investigated VSS with the objective of understanding their roles in facilitating market development and trade within the economies of the APEC region. It explored both the opportunities and challenges of applying VSS among its members and adopting VSS in trade policies. APEC economies put forward policy recommendations in concluding the project’s analytical work and discussions. One of the key recommendations is to continue advancing work on VSS within the APEC framework such as through capacity building activities, a next-phase project or a potential working group. International organizations with expertise and experience in VSS at multilateral fora could support APEC economies in this endeavor. For example, UNCTAD has supported developing economies, particularly policymakers, in utilizing VSS as an instrument to achieve SDGs. It is the secretariat of the UNFSS, an initiative of 6 United Nations Agencies – the Food and Agriculture Organization, ITC, UNCTAD, the United Nations Economic Commission for Europe, the United Nations Environment, and the United Nations Industrial Development Organization.

On the other hand, a future APEC Project on VSS, should consider members concerns. In this sense, it is important that the following project build upon the policy recommendations proposed such as: address the proliferation and recognition of VSS, risking their credibility; promote the convergence of recognition systems including international standards, consider the use of accredited conformity assessments, among others.

Leveraging VSS as a tool for transformation can significantly strengthen trade partnerships and economic cooperation among APEC member economies. VSS can offer a pathway for APEC economies to engage in trade that is not only economically beneficial but also responsible and sustainable, aligning economic activities with broader global sustainability objectives.