

Trade and Aid: How Certification Helps Improve Sustainability

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Abstract

The traditional way of framing international trade solely in terms of profitability and economic development has led to environmental and social disconnects. Civil organizations such as the Rainforest Alliance have worked for decades to inject sustainability principles and standards into the global economy. Hundreds of major businesses are making ambitious commitments to fight climate change, halt deforestation, seek sustainably produced commodities and do right by workers and communities across their supply chains. The combined value of trade they conduct reaches many trillions of dollars, dwarfing the combined budgets of government ministries working on them. For example, companies responsible for 90% of the US\$33 billion global palm oil trade have pledged to eliminate commodity-driven deforestation from their supply chains by 2020 or 2030. This paper will explore the diverse avenues that sustainability can be achieved in the economic supply chain.

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Background to the Study

There is a powerful argument that tapping international trade's massive capital flows is the fastest way to scale up positive impacts. However, we should amend that 'trade not aid' argument to 'trade and aid' because the two are becoming increasingly intertwined. We are at a historic juncture where the sustainability work and ambitions of business government, international organizations, civil society and citizens are rapidly converging. Many businesses are already engaging with COP21, the conference on climate change to be held in Paris in December, and working on integrating the new Global Goals for Sustainable Development Goals, which include promoting sustainable forestry, agriculture and tourism. Still, implementing sustainability goals at scale will require the public and private sectors to combine forces as never before, while, recognizing everyone is part of a interdependent global ecosystem that must create value for everyone.

Independent sustainability standards, training and technical assistance and certification are important tools for striking the right balance. Certification schemes such as those offered by the Rainforest Alliance and Forest Stewardship Council provide a framework for defining and implementing sustainable practices and generating benefits across the supply chain. Those efforts are already approaching global scale. The Rainforest Alliance has so far certified 130 million acres of forest and farmland as being under sustainable management in 77 countries, including farms that grow 15% of the world's tea and 14% of its cocoa.

Cutting Costs, Raising Yields

Certification helps suppliers cut costs, raise yields and earn more from their harvests by adopting sustainable management practices. For example, Unilever, the Anglo-Dutch consumer products maker, worked with the Rainforest Alliance to increase certification in Côte d'Ivoire and Ghana, where most of the world's cocoa is grown, negotiating with those governments on price and regulatory frameworks. Some 10,000 farms earned certification within a few years, sending their yields and incomes soaring. Certified Ivorian farms had nearly 300% higher net incomes than non-certified ones. In Mexico, which has one of the world's highest deforestation rates, the Rainforest Alliance works with the Mexican government, the United Nations Development Programme and community forest enterprises to help them increase their competitiveness and get more of the market value of the wood they produce. Technical assistance for sustainable forest management elsewhere in Latin America improves quality and profitability for community forests.

Securing Long-Term Supply

For businesses, certification is a way to integrate sustainability in strategically important ways. It helps companies secure a long-term supply of key commodities, manage reputational risk and build loyalty with their customer base. It also helps build wider consumer awareness and cultivate new business. More than 50% of consumers in India, over 40% in China and better than 30% in the United States of America are young people

who express their social and environmental values in what they buy. Importantly, their numbers are growing. For governments of producer countries, certification can increase economic prosperity. Moreover, it often helps accomplish what regulation and enforcement can't do alone because it incentivizes producers and companies to pitch in. However, government's role is still critically important. If existing laws are enforced and tax incentives for sustainable development and best practices are built into new initiatives, governments can forge more effective partnerships with global businesses and local suppliers while giving major impetus to implementation of sustainability goals.

Conclusion

In many countries there are still formidable obstacles to be overcome: low literacy, lack of infrastructure and governance stability issues, for example. While certification can't resolve those problems, it can provide a common framework through which nongovernmental organizations, companies and governments can work together. Spreading adoption of sustainable management practices through certification offers important ways to connect and align the interests of companies, suppliers, governments and consumers in pursuit of sustainability goals. As global trade expands, it can help ensure that the options and abilities of people around the world to put their lives, communities and environments on a more just and sustainable footing do so as well.

References

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