Voluntary Sustainability Standards (VSSs) in South Asia: A focus on the cotton sector in Bangladesh, India, Pakistan, and Sri Lanka

With the support of the Swedish Government
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• Zahid Hussain, Farmer of Better Cotton
• Tassawar Hussain Malik, Director, Ministry of National Food Security & Research, Pakistan
Program Overview

- Introductory remarks
- VSSs and Cotton: Importance of cotton and major challenges, production trends, market potential and role in enabling a more sustainable cotton sector
- Q&A 1
- Policy landscape for VSS in South Asia
- Main findings and recommendations
- Q&A 2
- Closing remarks
Voluntary Sustainability Standards (VSSs) and Cotton
The South Asian Cotton Sector

Contribution to Global Cotton Production

- The major cotton lint producers in the region in order of production volumes are India, Pakistan and Bangladesh while Sri Lanka produces very limited amounts.

- Significant contributor to the global cotton supply – 20% to 40% of total cotton lint supply between 1998 and 2018.

- Significant contributor to maintaining global value chains dependent on cotton-based products.

Note: Bangladesh’s production is so minimal that it is imperceptible in the graph.
Sources: Cotton lint data was obtained from the International Cotton Advisory Committee, 2022; VSS-compliant cotton lint data was obtained from Meier et al., 2020.
The South Asian Cotton Sector

Regional Cotton Fibre Trade

- Significant regional trade supporting South Asian cotton-based value chains.
- South Asian cotton-based value chains provide employment to well over 100 million people.
- Bangladesh readymade garments sector account for more than 80% of its export value.
- South Asia is one of the least economically integrated regions - only 5.6% of its trade was intraregional in 2017.

Cotton Lint

- 0–1000
- 1001–10,000
- 10,001–1,000,000
- 1,000,001–10,000,000
- 10,000,001–100,000,000
- 100,000,001–200,000,000
- 200,000,001–300,000,000
- 300,000,001+

Cotton Yarn

- 0–1000
- 1001–10,000
- 10,001–1,000,000
- 1,000,001–10,000,000
- 10,000,001–100,000,000
- 100,000,001–200,000,000
- 200,000,001–300,000,000
- 300,000,001+
VSSs in the South Asian Cotton Sector

The Presence of VSSs in the Cotton Sector

• South Asian cotton-based value chains have significant sustainability challenges:
  1. Toxic Pesticides Use
  2. Water Security Challenges
  3. Low Prices and Incomes

• VSS presence in the South Asian cotton sector traces back to the early 1990s.

• South Asia produce approximately a quarter of all VSS-compliant cotton lint in the world.

• India is the largest organic cotton producer in the world.
VSSs Sustainability Potential

• VSS compliant cotton represented more than 20% of all cotton produced in South Asia in 2018.

• The main VSS in the South Asian cotton sector includes Better Cotton, Organic, Fairtrade and the REEL Code.

• The VSS examined are present in all major cotton producing areas in South Asia.
VSSs and Pesticides

Production Criteria

• Pesticide Use Restrictions: Organic is the most restrictive while Better Cotton for Small, Medium and Large Farms is the least.

• Integrated Pest Management: Fairtrade Hired Labour, BCI for Medium and Large Farms and the REEL Code are the most demanding while Better Cotton for Small Farms is the least.
VSSs and Pesticides

Pesticides – Chlorpyrifos, Dicrotophos and Glyphosate


- VSS are well positioned geographically to lower and/or eliminate the use of these pesticides in cotton cultivation.
VSS and Water Security

Water Depletion Levels

- Growing cotton can require significant amounts of water - 30% of cotton grown in India is irrigated and 3 million hectares of irrigated farmland along the Indus River irrigation system is commonly used to grow cotton.
- The VSS examined have different requirements to support water conservation – Better Cotton requires farmers to be involved in water stewardship planning initiatives while organic requires agricultural runoff prevention.
- VSS are operating in almost all the South Asian cotton growing areas substantially water depleted.

<table>
<thead>
<tr>
<th>VSS examined</th>
<th>Better Cotton</th>
<th>Fairtrade</th>
<th>REEL Cotton Code</th>
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<tbody>
<tr>
<td></td>
<td>Small farms</td>
<td>Medium-sized &amp; large farms</td>
<td>Organic</td>
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<tr>
<td>Water management</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Water stewardship planning</td>
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<td>Water risk assessment</td>
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<tr>
<td>Water conservation</td>
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<td>Soil moisture conservation</td>
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<td>Efficient irrigation</td>
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<td>Natural water resources protection</td>
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<tr>
<td>Agricultural runoff prevention</td>
<td>✔️</td>
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</tbody>
</table>

To be implemented: ✔️ immediately, 1 within 1 year, 3 within 3 years, 6 within 6 years, ☹️ over time, ☐ not covered.
VSSs and Farm Gate Prices and Incomes

Cottonseed Productivity Levels

- The VSS examined have varying farm gate prices and worker income improvement requirements – Fairtrade offers minimum price guarantees while Better Cotton and the REEL Code require cotton fibre quality improvements.
- Using cotton productivity as a proxy to assess potential for improving cotton farm gate prices and incomes reveals that VSS operate in all the major South Asian cotton-growing areas experiencing lower yields.

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</table>

**Prices**
- Minimum price guarantees are provided
- Price premiums are collected
- Fibre quality

**Incomes**
- Minimum wages offered
- Living wages offered
- Equal pay for equal work

To be implemented: ✓ immediately, 1 within 1 year, 3 within 3 years, 0 over time, ☐ not covered.
Concluding Thoughts

1. Cotton is of great importance to the South Asian economies despite a lack of regional economic integration, which makes the cotton sector all the more significant for the region.

2. The South Asian cotton sector faces significant sustainability challenges and VSS have proliferated in the region to try and address them by requiring more sustainable production practices.

3. Based on their production requirement and geographical presence, VSS have potential to improve the sustainability of the South Asian cotton sector in various ways and particularly in terms of reducing pesticide use, improving water security and farm gate prices and worker incomes.
Q&A 1
Questions?
Policy Landscape
Policy Landscape for VSSs in South Asia

Context

- Regional integration can support economic growth and help address common sustainability challenges.
- South Asia remains one of the least economically and politically integrated region.
- There is some basis for regional collaboration around issues of concern in the cotton textile sector.
- In the report, we analyzed:
  - regional organization entities or bodies
  - trade policy instruments, and
  - national initiatives.
Policy Landscape for VSSs in South Asia

Regional Organization

• Not specific to the cotton textile sector, but some movement toward regional cooperation: South Asian Association for Regional Cooperation (SAARC), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), South Asia Co-operative Environment Programme (SACEP).
• SAARC: collaboration on agriculture, standards, and trade – i.e., SAARC Agriculture Centre (SAC).
• BIMSTEC (does not include Pakistan): cooperation on agriculture to develop good agriculture practices.
• SACEP: regional cooperation on the environment and sustainable development, South Asia Forum on Sustainable Consumption and Production.
Policy Landscape for VSSs in South Asia

Trade Policies

- The trade agreements analysed do not contain specific clauses regarding the issues of concern:
  - Asia – Pacific Trade Agreement (APTA) (1975): preamble (labour) and general exception clause (environment)
  - South Asian Free Trade Area (2004): general exception clause (environment)

- Preambles are useful for interpretation in case of disputes, general exceptions allow states to adopt measures in the listed areas, but do not actively promote specific policy actions.
- Trade agreements are unlikely to support the advancement of sustainable production practices in the cotton sector in their current form.
### Policy Landscape for VSSs in South Asia

#### National Initiatives

Three categories:

- a) domestic policy and legislation,
- b) compliance with and promotion of VSSs, and
- c) international cooperation and NGO initiatives.

<table>
<thead>
<tr>
<th>A. Domestic policy</th>
<th>B. VSSs compliance and promotion</th>
<th>C. International cooperation and NGO initiatives</th>
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<tbody>
<tr>
<td>Cotton/textile authorities and/or related legislation; general legislation on environment and labour; limited legislation specific on issues of concern in the cotton sector (except price supports in India and Pakistan); some limited movement toward targeted domestic policy (organic agriculture).</td>
<td>Different levels of compliance with VSSs, in India and Pakistan is key; certification important in Sri Lanka and Bangladesh but not actively promoted.</td>
<td>Bilateral aid from foreign governments; government engagement with NGO-led initiatives; ILO’s Better Work program.</td>
</tr>
</tbody>
</table>

- There are also some private-led initiatives.
Concluding Thoughts

1. There is room to include environmental and social sustainability issues in national legislation and trade agreements.

2. Policy landscape could be strengthened to take full advantage of VSSs in the cotton sector.

3. National initiatives can reinforce VSSs’ activities and vice-versa.
Recommendations
Recommendations for VSS bodies

1) Develop targeted guidelines and training opportunities for farmers on VSS-compliant practices

2) Improve assurance systems and product traceability requirements to increase trust in verification and certification processes

3) Provide a platform for regional dialogues and action on cotton among different stakeholders

4) Build partnerships between standard-setting bodies as well as with private initiatives to increase their impact and efficiency
Recommendations for policy-makers in South Asia

1) Update sectoral, environmental, and labour policies to support best practices in the sustainable production of cotton and VSS compliance
2) Strengthen sustainability provisions in trade agreements
3) Generate domestic and regional demand for VSS-compliant cotton
4) Establish organic seed banks
5) Use targeted promotion of VSS compliance as a tool to improve agricultural practices in priority regions
Q&A 2
Questions?
Closing Remarks

Key Takeaways

- South Asian cotton sector a key driver of economic growth and employment
- VSS have potential to improve pesticide management, water conservation, and farmer incomes and prices
- There is market potential for the main VSS in the region
- There are opportunities to build synergies between policies and VSSs in many ways to improve the conditions of cotton production and boost intraregional trade.
Thank you!

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