



Time for meaningful follow-up to the European Parliament Resolution on Fair Trade and development (2006)

FINE POSITION PAPER¹ (19 March 2009)

Background

The European Parliament (EP) issued in 2006 a Resolution on Fair Trade and development². The Resolution calls on, amongst others, the European Commission to support Fair Trade (as defined by the Fair Trade movement and the EP Resolution of 2006) through various policy instruments and initiatives.

The Fair Trade movement calls on the European Commission to issue a policy document before the end of the current European Parliament legislative term giving a meaningful follow-up to this Resolution.

Why should the EC support Fair Trade?

Fair Trade as a sustainable development and poverty reduction tool

The Fair Trade movement calls on the European Commission to issue a forward-looking policy document on Fair Trade linked to an Action Plan laying down specific next steps in the various areas identified by the EP Resolution of 2006.

The Fair Trade movement considers that the European Commission should give more ambitious support to Fair Trade than what is currently the case, recognising the breadth and depth of its support from civil society (including marginalised producers and workers in the South)³.

Fair Trade principles are fully in line with the sustainable development and poverty reduction objectives as laid down in Article 177 of the EC Treaty. The Fair Trade movement considers that Fair Trade should serve as a tool to achieve these objectives.

Fair Trade organisations are not an objective in themselves. They have been set up as a tool for marginalised producers and poor workers in the South.

The Fair Trade movement strongly believes that there exists public interest in the objectives of Fair Trade and therefore calls on the European Commission to scale up its support, partner with the Fair Trade movement and set up adequate mechanisms to ensure policy and financial support to Fair Trade. This should not be seen in contradiction to the existing “general” EC trade policy, but rather as an encouragement by the EC for economic operators to work gradually towards the improvement of the terms of international trade.

¹ The FINE network represents the four main International Fair Trade Associations: WFTO - the World Fair Trade Organisation (formerly IFAT), Fairtrade Labelling Organisations International (FLO), the European Fair Trade Association (EFTA) and the European Network of Worldshops (NEWS!).

² Resolution on Fair Trade and Development (2005/2245(INI) A6-0207/2006 adopted on 6.6.2006.

³ Fair Trade 2007: new facts and figures from an ongoing success story – by Jean Marie Krier for the Dutch Association of Worldshops (in cooperation with FINE) – December 2008. Available under: http://www.fairtrade-advocacy.org/index.php?option=com_content&view=article&id=11&Itemid=13

The Fair Trade movement has “done its homework”

The last EC Communication on Fair Trade⁴ (1999) identified a number of “issues” when considering further EU support to Fair Trade activities. Some of them (criteria and monitoring, consumer information) were issues that had to be addressed mainly by the Fair Trade movement.

Since then, the Fair Trade movement has agreed on a common definition of Fair Trade and has strengthened its quality and compliance systems (more information is available upon request).

A milestone that shows the cooperation within the Fair Trade movement is also the recent adoption of the Charter of Fair Trade principles, agreed in January 2009 by the World Fair Trade Organization (formerly IFAT) and Fairtrade Labelling Organizations International (FLO) – which you will find enclosed.

Conclusion

It is time for a meaningful follow-up to the European Parliament Resolution on Fair Trade and development.

The Fair Trade movement calls on the European Commission to issue a policy document before the end of the current European Parliament legislative term, which includes the following three elements.

1) Definition of Fair Trade

The Fair Trade movement considers it is important that the specific and unique approach of Fair Trade to the development and empowerment of disadvantaged producers (as defined by the Fair Trade movement) is well defined so as to avoid confusion with other sustainability assurance schemes.

The (International) Fair Trade movement defines Fair Trade as:

“Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade”

In order to avoid any confusion, the Fair Trade movement calls on the European Commission to include the following clarifications in the policy document:

- Reference to the International agreed Fair Trade movement definition of Fair Trade.
- Reference to the recently adopted Charter of Fair Trade Principles agreed between the WFTO – the World Fair Trade Organisation (formerly IFAT) and Fairtrade Labelling Organisations International (FLO) in January 2009) – *see enclosed*. This Charter builds on the existing FINE definition of Fair Trade, and is a very important milestone in the cooperation in the Fair Trade movement..
- Clear distinction between Fair Trade and sustainability schemes, e.g. a dedicated chapter on Fair Trade.
- Recognition of the two complementary routes of commercialization of Fair Trade (direct trading route and labelling route), and reference to the World Fair Trade Organization (formerly IFAT) and FLO as the two key International Fair Trade standard-setters.

⁴ COM(1999) 619 final (29.11.1999)

- Recognition of the ongoing pioneering role of Fair Trade and Fair Trade Organisations in extending the reach of Fair Trade to more producers and to innovative business models that prioritise development through trade.
- Reference to the pro-development approach of Fair Trade: a crucial element for Fair Trade is that the burden of sustainable production is shared across the supply chain, that is, the financial burden of socially or environmentally responsible production is not only carried by the producer.
- Reference to the shortcomings of existing trade rules and practices which Fair Trade tries to address.

2) Policy measures

» Public Procurement

Public procurement offers an important means to pursue the EU's overall objectives of sustainable development and poverty reduction as stated in Article 177 of the EC Treaty. The introduction of Fair Trade criteria in public procurement is an effective tool for public authorities to support marginalised producers and workers and to publically show commitment towards EU citizens.

A recent study by the University of Rome Tor Vergata ⁵ shows the positive impact of public procurement policies by local authorities, not only for disadvantaged producers but also to raise the awareness of citizens as involved stakeholders (see enclosed conclusions of study). It also contributes to the efforts by public authorities to reach the UN Millenium Development Goals.

The European Parliament has called repeatedly for the promotion of fair public procurement, including in its Resolution on Fair Trade and development of 2006.

The EU Public Procurement Directives lay down the general legal framework applicable to public procurement across the EU.

What is needed from the European Commission is constructive practical "*can do*" legal guidance to help those public authorities that wish to contribute to sustainable development and introduce Fair Trade criteria into their public procurement.

"*Can't do*" guidance from the European Commission would introduce confusion and discourage public authorities. It could reduce fair and sustainable public purchasing across the EU, with harmful effects for suppliers of Fair Trade products and, ultimately, for marginalised producers and poor workers that benefit from the Fair Trade conditions.

A recent court case⁶ in the Netherlands has confirmed the right of a public authority to specifically request Fair Trade products, provided that this is done respecting the existing legal framework.

Fair Trade public procurement is a reality. As a matter of fact:

- European Union Institutions, including the European Parliament and the European Commission, purchase and serve Fair Trade products in their cafeterias, restaurants and during meetings.
- A large number of public authorities include Fair Trade in their formal tenders. For example, 80 public authorities in Spain, 109 in Italy and 139 in Belgium. Around 620 towns in Europe have obtained the title of "Fair Trade Town", one of whose pillars being the introduction of Fair Trade criteria in their public procurement. Wales has also recently obtained the title of "Fair Trade Nation".

⁵ "*The insertion of fair trade products in the schools in Rome: a valuation of the effects of the project*", Leonardo Becchetti and Juana Paola Bustamante, University of Rome Tor Vergata, study requested by CTM Altromercato and ResPect – Centre for ethic and responsible enterprise. Enclosed is a short summary (in English) of main conclusions of the study.

⁶ Groningen Province case - 97093 / KG ZA 07-320 (Judgement by the Groningen district court of 21 November 2007).

- A number of national and regional initiatives and pieces of legislation have been passed across the EU so as to allow the introduction of Fair Trade criteria in the tenders of public authorities. In Spain, for example, the Law on Public Procurement⁷ provides for a possibility to include Fair Trade (as defined by the European Parliament Resolution of 2006) in public procurement. In Italy, 7 regional also provide such a possibility⁸.

Fair Trade is not a commercial brand. Fair Trade organisations do not seek a monopoly of Fair Trade activities. Fair Trade is an open system, an alternative trading partnership, in which all interested suppliers can participate. In the framework of public procurement, any interested economic operator can potentially supply Fair Trade products to public authorities.

The Fair Trade movement is pleased to see mainstream companies adopting the principles of Fair Trade to benefit marginalised producers and poor workers in the South. As a matter of fact, the Fair Trade movement is aware of no less than 900 suppliers across the European Union that are already in the position to bid for such calls for tenders.

In this respect, Fair Trade is not different from the concept of Organic / Bio, which is also open to any agricultural producer wishing to engage in an added-value way of farming.

Against this framework, the Fair Trade movement calls on the European Commission to:

- Provide adequate information and legal guidance in this respect to Member States in the expected EC policy document on Fair Trade, so as to further encourage sustainable (including fair) procurement across the EU, in particular in the new EU Member States. The Commission Directorate-Generals for Internal Market and Employment and Social Affairs are currently finalising a guidance document on how to include social considerations in public procurement. This would be also a good opportunity to give the much-needed guidance.
- Put in place EC measures and programmes to promote awareness and encourage local/regional/national authorities across the EU to implement sustainable (including fair) procurement legislation and policies.
- (Following the example of the European Parliament) Update its internal procurement policy and offer more Fair Trade products in its internal catering, restaurants and cafeterias.

» **Consumer awareness in the European Union**

Fair Trade Organisations and world shops across Europe are alternative trading and retailing concepts that combine the possibility for consumers to choose for products that have been fairly traded with awareness raising activities about the impacts that consumers can make in their purchasing decisions. Fair Trade organisations also carry out public campaign and advocacy activities in the field of North-South trading relations.

As a pre-condition for consumers to make informed purchasing decisions, consumers need to be aware of the impact that their purchasing decisions have on poverty reduction and sustainable development.

Consumer awareness of Fair Trade is growing, yet the situation in the various EU Member States differs significantly, in particular in an enlarged European Union of 27 Member States. While the awareness levels have grown significantly in Western Europe, the awareness by citizens in the 12 new EU Member States is very low.

⁷ *Ley 30/2007 de Contratos del Sector Público* of 30 October 2007. Boletín Oficial del Estado n. 261 (31 October 2007).

⁸ *Italian regions: Toscana, Abruzzo, Umbria, Liguria, Marche and Friuli Venezia Giulia.*

The Fair Trade movement calls on the European Commission to:

- Put in place, in consultation with relevant stakeholders, EC programmes to ensure the conditions that would allow all EU citizens a similar level of awareness of how their purchasing decisions have an impact on sustainable development and poverty reduction.
- Giving tools to EU Member States to identify misleading statements in the field of ethical trade / sustainability.

» Trade policy

The European Commission should adhere to its Policy Coherence for Development commitments and should have a trade policy which is coherent with its sustainable development and poverty reduction objectives.

The Fair Trade movement calls on the European Commission to:

- Take into account the special needs of marginalised producers and workers in the South when formulating trade policy. In particular, the Fair Trade movement considers that the European Commission should develop a coherent policy for the promotion and protection of marginalised producers and poor workers, including Fair Trade, in bilateral, regional and multilateral trade negotiations, such as the on-going Economic Partnership Agreements (EPAs). Enhancing their market access to the European market is an essential part of supporting their “trading their way out of poverty”.

In the context of the latest food and economic crisis, the European Commission should undertake a study to examine how Fair Trade could develop into a model for sustainable EC trade policy which would be capable of stimulating balanced North-South trade.

3) Financial measures

Although there are some existing EC budget lines that cover, *inter alia*, the objectives of Fair Trade, these general budget lines have proven insufficient *de facto* to guarantee that a significant number of projects to support marginalised producers and poor workers in the South are financed by the EC.

The modest but valuable sum of 1 million € was earmarked for Fair Trade projects in the EC 2008 budget (Trade budget line 20 02 01). The responsibility for the expenditure of this sum linked to the EC budget 2008 was eventually transferred from DG Trade to EuropeAid. EuropeAid then earmarked such funding for activities linked to actions only in partner countries (multi-country)⁹, ruling out any earmarking for activities that were also included in the budget line 20 02 01 linked to:

- (*within the European Union*) measures to support Fair Trade awareness raising programmes, public campaigns and advocacy activities, research on impact, best practice, supply chain analyses, traceability and accountability assessments, Fair Trade marketing support and practical support for World shops.
- (*within the EU and in developing countries*) to promote the work and the role of Fair Trade Organisations.

The Fair Trade movement considers that the above partly defeats the intention of the European Parliament to earmark a sum of money to the various activities linked to the support to Fair Trade.

At the level of how the calls for proposals are made (e.g. technical specifications for applicants), it is worth noting that EuropeAid’s call for proposals (EuropeAid/127763/C/ACT/TPS) indicated a minimum

⁹ EuropeAid/127763/C/ACT/TPS, available from <https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?ADSSChck=1231318287240&do=publi.detPUB&Pgm=7573847&aoet=36538&ccnt=7573876&debpub=08%2F11%2F2008&orderby=upd&orderbyad=Desc&nbPubliList=25&aoref=127763>

financial threshold per project (500.000€ per project) which made it very difficult for organisations representing marginalised producers and poor workers to apply.

While the Fair Trade movement very much welcomes the inclusion of Fair Trade within the 20 02 01 budget line, it calls on the Commission that, for the implementation of the 2009 budget and onwards, an adequate sum of money is earmarked to each of the three pillars of Fair Trade support measures as laid down in the EC budget line 20 02 01. This would reflect the intentions of the European Parliament., when it introduced the amendment to the draft 2008 budget. The minimum financial thresholds per project should not be made as high as to prevent small organisations to apply.

Such a comprehensive and well-designed financial envelope would allow for activities, such as:

- Research to collect data on the impact of Fair Trade for marginalised producers and poor workers in the South, share best practices and carry out supply chain analyses, traceability and accountability assessments by Fair Trade organisations.
- Support to the Fair Trade criteria-setting and monitoring systems, underpinning consumer confidence in such schemes, as well as studies on the interest of extending Fair Trade to new product areas.
- Support work to reduce burden of multiple certifications on producers and ensure that certification adds value to producers.
- Public awareness campaigns in the field of North-South trading relations, sustainable development and poverty reduction, and the links with EU consumers' purchasing decisions.
- Research to advice policy-makers how best to ensure that the specific interests of marginalised producers and poor workers in the South are reflected across all policy areas.

DOCUMENTS ENCLOSED

- Charter of Fair Trade principles (WFTO (ex IFAT) and FLO - January 2009)
- FTAO note: progress made since 1999
- Conclusions of study prof. Becchetti – University of Rome Tor Vergata

* * *