



Fighting poverty and injustice through Fair Trade

How the EU can support the Fair Trade movement to create sustainable livelihoods and to promote responsible purchasing

December 2006

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, marginalised producers and workers - especially in the South. Fair Trade organisations (backed by consumers) are actively engaged in supporting producers, awareness raising and in campaigning for changes in the rules and practices of conventional international trade.¹

From modest beginnings, Fair Trade has developed into a worldwide movement, guaranteeing decent living and working conditions for over one million small scale and marginalised producers and poor workers in developing countries. In Europe, Fair Trade Organisations have pioneered responsible business practices and encouraged consumers to take the social, economic and environmental conditions of their purchasing into account. The impressive growth and success of Fair Trade proves that a truly fair and responsible trade and business model is possible: Over the last six years, Fair Trade sales have grown by 20% to 30% per year throughout Europe and are expected to reach 2 billion € in 2006. This demand has been a significant lever for change in business practices. But despite the remarkable increase, the overall market share of Fair Trade is still very small. There is a huge potential for Fair Trade to grow, both in the food and non-food sectors.

Producers, consumers, businesses and civil society are key to the success of Fair Trade, but European Institutions also have a critical role to play. A coherent Fair Trade policy and systematic support to Fair Trade Organisations in Europe could lead to a significant growth in awareness and in the demand for Fair Trade products in the EU and thus create sustainable livelihoods for millions of poor and marginalised producers and workers in developing countries.

In a recent **resolution on Fair Trade and development**², the European Parliament suggests concrete measures to step up the EU's political and financial support to Fair Trade and Fair Trade Organisations (FTO's). The international Fair Trade movement³ welcomes the resolution and supports many of its demands.

Fair Trade demands to European decision makers

We urge the European Commission to respond to the European Parliament and previous commitments⁴ and to issue a recommendation on Fair Trade, rather than a European legislative act which would carry the risk of over-regulation. We support the demand to support Fair Trade as mentioned in art. 23 g) of the Cotonou Agreement and to provide "Aid for Fair Trade".

Furthermore, we urge the European Commission and the EU Member States to:

¹ Definition of Fair Trade developed by the four international Fair Trade Associations: FLO-I, IFAT, NEWS! and EFTA

² P6_TA(2006)0320

³ The Fair Trade movement is organized in four international Fair Trade Associations: FLO (Fairtrade Labeling Organizations International), IFAT (International Fair Trade Association), NEWS! (Network of European Worldshops) and EFTA (European Fair Trade Association).

⁴ Such as: - Council Resolution on EU Sustainable Development Strategy - Renewed Strategy (10117/06)
- Communication from the Commission on Trade and Development (COM (2002) 513 final
- the Cotonou Agreement, art. 23 g) (2000)
- Communication from the Commission on *fair trade*", COM(1999) 619 final, 29.11.1999;

1. Recognize the definition and principles of Fair Trade as developed by the international Fair Trade movement

The success of Fair Trade and Fair Trade Organisations (FTO's) is being achieved thanks to a comprehensive approach, combining fair trading conditions with producer support, awareness raising and advocacy for greater trade justice. Essential elements of the concept are a fair producer price, covering the costs of sustainable production and a premium for investment, pre-financing on request, long-term relationships, capacity building and empowerment of the producers as well as compliance with labour and environmental regulations and awareness-raising activities about the prevailing injustice of international trade rules.

Inspired by the success of Fair Trade and in response to the growing consumer interest in ethical purchasing, ever more companies are developing "sustainable" or "ethical" trading initiatives or product lines. This is a welcome development as long as these initiatives contribute to the improvement of the producers' living and working conditions and if they follow clear and transparent criteria.

However, many "sustainability" or "ethical" claims lack the backing of credible and verifiable standards and consumers find it ever more difficult to obtain appropriate information in the crowded ethical market place. In some cases, even the term "fair trade" is being used without complying with the related criteria. If there is no clear distinction between Fair Trade and other schemes, non-compliance with ethical claims in one initiative may result in a general loss of consumer confidence and harm the credibility of Fair Trade itself.

We therefore ask the European Commission and the EU Member States

- to recognize the definition and principles of Fair Trade and Fair Trade Organisations as developed by the international Fair Trade movement;
- to take appropriate measures to ensure that consumers have access to all the information they need in order to make informed choices and to protect consumers from misleading ethical and "fair" claims.

2. Increase public awareness and information about Fair Trade

Hundreds of millions of poor and marginalised producers and workers in developing countries are still living in desperate poverty. Many Fair Trade producer organisations can only sell minor parts of their production under fair terms because the demand for Fair Trade products is still too small.

The Fair Trade experience shows that European consumers are purchasing responsibly if they have access to appropriate information and if the products are easily available. However, the level of knowledge about Fair Trade is still very mixed within the European Union.

We therefore ask the European Commission and the EU Member States

- to support awareness raising activities, particularly in those countries where Fair Trade is relatively new;
- to spread information about best practices of public support for Fair Trade among EU Member States;
- to support Fair Trade related research, for instance strengthening systems, impact, supply chain analyses, transparency and traceability;
- to support comparative research of Fair Trade against mainstream market operations to examine how the lessons of Fair Trade can be applied more widely.

3. Increase the number of producers in developing countries who benefit from fair trading conditions

Market access and capacity building are key concerns for producers in developing countries. For many poor producers, pre-financing and capacity building as provided by Fair Trade Organisations are essential to sustain their living. The Fair Trade movement is committed to

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reaching out to more producers and making access easier for them whilst preserving stringent criteria to maintain consumer confidence.

We therefore ask the European Commission, the EU Member States and development agencies to support small producers through

- technical assistance (for instance to meet the European SPS standards, rules of origin and the growing number of corporate standards, encourage moves into processing, etc.);
- capacity building and empowerment programmes, particularly for women;
- helping Fair Trade operators in providing pre-financing for producers;
- developing new Fair Trade products;
- supporting local and South-South Fair Trade, e.g. through assistance in the distribution of Fair Trade products on local and regional markets, participation in fairs and supporting the organisation of producers, e.g. into cooperatives or networks, and support to increase awareness about Fair Trade among consumers in the South;
- including southern Fair Trade Organisations in the consultation process of programming aid towards ACP and other developing countries.

4. Promote Fair Procurement in the European Union

Public authorities are not only major consumers in Europe, spending about 16% of the EU's Gross Domestic Product, they also set an example for the general public and influence the market place. If Fair Trade criteria were integrated into European public procurement, the social and environmental benefits would be considerable.

The European Commission should therefore

- develop and implement sustainable purchasing policies within the European Institutions, notably through the integration of Fair Trade criteria;
- encourage European public authorities at national, regional and local levels to integrate Fair Trade criteria into their purchasing policies, e.g. by producing guidelines on Fair Procurement and by suggesting ways to increase visibility of fair purchasing practices;
- develop targets for responsible purchasing within the EU Member States with an increasing sliding scale up to 2015.

5. Ensure co-ordination and coherence of EU policies on Fair Trade

In order to achieve greater coherence between different Community policies and to develop a European-wide strategy on Fair Trade we ask the European Commission

- to establish a central contact point for Fair Trade within the European Commission;
- to ensure regular co-ordination on Fair Trade among different services (e.g. an EC Working Group) involving DG Development, Trade, External Relations, Agriculture, Education, Consumers' Protection, Employment and Social Affairs, EuropeAid, Competition and Internal Market, in consultation with the Fair Trade movement.

Towards fairer trade for all

The Fair Trade movement pursues two inseparable objectives: on the one hand, to provide opportunities for development for small-scale producers and workers in developing countries, and, on the other, to encourage the international trading system and private businesses to operate in a way which is fairer and more conducive to sustainable development. True progress requires not only the promotion of Fair Trade but also efforts to overcome structural inequalities in European trade policies. These policies must be more balanced and put sustainable development and poverty eradication at their heart. They must improve market access for small producers in the South whilst guaranteeing them with remunerative prices. EU

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policies should further encourage all businesses to improve their trading and purchasing practices for trade to become an engine for sustainable development.

We therefore urge the EU to increase efforts in the following areas:

6. Moving towards a sustainable European trade policy

Trade should not be an end in itself but a means towards achieving sustainable development and poverty eradication. However, current trade policy making does not put development at its heart and there is a lack of coherence between European trade and development policies. World trade negotiations are in crisis and there is no strategy in place to make trade negotiations work for development and poverty reduction. Whilst it is widely recognized that small producers are an important engine for job creation and development in the South, the interests and needs of these groups are rarely taken into account.

We therefore ask the European Commission

- to support mechanisms for the participation of producers in price determination, as provided for in GATT Articles XXXVI - XXXVIII and in paragraph 63 of the Compendium on co-operation strategies to the Cotonou Agreement;
- to develop a coherent policy for the promotion and protection of small and marginalised producers in bilateral and regional trade negotiations, such as the Economic Partnership Agreements (EPAs) with the ACP countries;
- to develop a coherent policy for the promotion of food sovereignty and for the protection of local production and consumption.
- to assess the possibility for including sustainability criteria into EU trade policy-making in order to encourage imported goods that comply with sound social and environmental standards;
- to incorporate the lessons of the Fair Trade movement in trade policy making given our long standing experience of how such policies translate into practice.

7. Strengthening corporate accountability

The Fair Trade movement welcomes the increase in corporate social responsibility initiatives, responding to a growing interest of consumers in responsible business practices. We are working actively with companies to improve their business and purchasing practices, particularly regarding their impact on southern suppliers and workers.

We therefore ask the European Commission and EU governments

- to actively raise awareness amongst the business community to improve their performance on the UN's Universal Declaration of Human Rights, the ILO Core Labour Standards and Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the UN Norms for Business and the OECD Guidelines for Multinational Enterprise;
- to develop legally binding measures so that businesses are held to account for their negative social, economic and environmental impacts, both within the EU and in third countries;
- To promote responsible purchasing practices of EU companies throughout their supply chains.

IFAT	EFTA	NEWS!	FLO
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