



Towards a coherent Fair Trade Policy

Fair Trade demands to European decision makers

April 2005

Fair Trade is being widely recognized as a key tool for sustainable development and poverty eradication. Fair Trade also plays a crucial role in raising awareness among European consumers about global injustice and about the social responsibility of private and public actors.

More than 5 million people in 61 countries of Latin America, Africa and Asia benefit from Fair Trade relationships. They do not only receive a fair and stable price for their products which provides them with a living wage and covers the cost of production. They are also engaged in a long-term partnership with the importers and benefit from decent working conditions, implying adequate health and safety standards as well as participatory management mechanisms. Fair Trade provides essential pre-financing and capacity building to the producers and it contributes to the protection of the environment.

Fair Trade ensures that producers get a fair share of benefits. While most businesses do not internalize the costs of their social and environmental impacts, the Fair Trade movement believes that in order for trade to be sustainable, the full social, environmental and economic costs of goods and services must be taken into account. The impressive growth and success of Fair Trade proves that a truly fair and responsible trade and business model is possible: Fair Trade sales in Europe grew in 2004 by an average of 30%, including 92% growth in the UK, 102% in France, 50% in Belgium, and 60% in Italy, reaching worldwide sales of over € 600 million in 2004. Despite this remarkable increase, Fair Trade still constitutes an overall market share of less than 0.1%. There is a huge potential for Fair Trade to grow and to benefit more producers in poor countries.

Producers, consumers and businesses are key to the success of Fair Trade, but European Institutions also have a critical role to play. While some European governments and many local authorities have developed programmes and policies for the promotion of Fair Trade, there is currently no comprehensive European-wide Fair Trade strategy or co-ordination. A joint effort of European Institutions, however, could lead to a significant growth in awareness and in the demand of Fair Trade products in the EU and thus provide millions of poor and marginalised producers and workers in developing countries with sustainable living and working conditions.

We therefore urge the European Institutions to translate their declarations and promises which recognize the value and importance of Fair Trade¹ into concrete action. 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.

¹ Such as: - the European Parliament Resolution on Fair Trade, OJ C 226/73, 20.07.1998;
- the Communication from the Commission to the Council on "Fair Trade", COM(1999) 619 final, 29.11.1999;
- the Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on "Policy Coherence for Development – Accelerating progress towards attaining the Millennium Development Goals", COM(2005) 134 final, 12.04.2005



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1° Increasing public awareness and information about Fair Trade in Europe

While some interesting and successful examples of public campaigns in favour of Fair Trade exist, there is a great need for more public awareness, particularly in the new EU Member States, to inform consumers, business actors, staff in public institutions, teachers in schools and universities and others about the merits of Fair Trade, particularly its social and environmental benefits in developing countries.

We therefore ask the European Commission

- to recognize the definition and principles of Fair Trade and of Fair Trade Organisations as developed by the Fair Trade movement;
- to spread information about best practices of public support for Fair Trade among EU Member States;
- to fund communication activities in Member States to raise awareness and understanding amongst consumers, particularly in those countries where Fair Trade is a relatively new phenomenon;
- to support research – for instance strengthening systems, impact, best practice, supply chain analyses, traceability and accountability assessments – of Fair Trade;
- to support comparative research of Fair Trade against mainstream market operations to examine how the lessons of Fair Trade can be applied more widely.

2° Promoting 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.



3° Supporting small and marginalised producers in developing countries

Market access and capacity building are key concerns for producers in developing countries. They need practical assistance in meeting EU standards and requirements and for many poor producers pre-financing as provided by Fair Trade is essential to sustain their own living. With its longstanding experience in this field the Fair Trade movement can provide a valuable input into trade and development policy making.

We therefore ask European institutions and development agencies to support small producers through

- technical assistance (for instance to meet the European SPS standards and rules of origin);
- capacity building and empowerment programmes;
- helping the Fair Trade movement in providing pre-financing for producers;
- assistance in the distribution of Fair Trade products on local markets.

4° Moving towards a fair 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. 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 include participatory assessments of the impact of EU trade policies on small and marginalised enterprises in developing countries, e.g. within the Sustainability Impact Assessment Programme;
- 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 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 ensure that global trade policies and practices do not undercut internationally agreed social and environmental standards, in particular core labour standards;
- to consult more widely with stakeholders within the fair trade movement on trade policy given our experience of how such policies translate into practical experience.



5° Strengthening corporate accountability

The Fair Trade movement recognises the increase in corporate social responsibility initiatives and welcomes the growing commitment of the EU institutions in these issues, notably through the establishment of the CSR Multi-Stakeholder Forum.

The Fair Trade movement urges the EC to build upon the lessons emerging in relation to CSR initiatives in determining those which deliver positive social impacts and those that backfire on their stated social objectives. We ask the European Commission to

- actively raise awareness amongst the business community of the UN's Universal Declaration of Human Rights, the ILO Core Labour Standards and Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the OECD Guidelines for Multinational Enterprises. More particularly the EC is asked to
 - o encourage member states to proactively initiate and evaluate complaints, so that the OECD Guidelines for Multinational Enterprises are credibly implemented;
 - o support the UN Commission on Human Rights to adopt a set of universally applicable normative standards expressing the human rights responsibilities of companies and the means of implementing them. In our view, the starting point for the development of such standards must be the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights published in 2003;
- 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. In particular this would need to comprise of 3 parts:
 - o The reporting of the global, social, human rights and environmental impact of EU companies must become mandatory;
 - o Company directors need to have a duty of care for their economic, social and environmental impacts and should be liable for the damage they cause if they do not take all necessary steps possible to limit these negative impacts;
 - o Stakeholders and communities negatively impacted (e.g. whose human rights had been violated) by an EU company can seek redress from that company from a court in the member state where the company is registered, if they are unable to seek justice in the country of violation.



6° Ensuring 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 and
- 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, Health and Consumers' Protection, Employment and Social Affairs and EuropeAid.

Definition of Fair Trade according to the International Fair Trade Movementⁱ

« 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 »

Contact Data

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ⁱ Definition of Fair Trade developed by the four international Fair Trade Associations: Fairtrade Labeling Organizations International (FLO-I), the International Federation for Alternative Trade (IFAT), the Network of European World Shops (NEWS!) and the European Fair Trade Association (EFTA)