

New EU trade & development policy: what role for Fair Trade?

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Contents

1. Current EC policy: Fair Trade analysis
2. Fair Trade policy demands to EU Trade Commissioner
 - ✓ On Trade policy
 - ✓ On Fair Trade policy
 - ✓ On policy on trade related consumer-assurance schemes
3. Proposed next steps

1. Current EC policy: Fair Trade analysis

EU trade policy: an important pillar missing

EU Trade Commissioner De Gucht presented the new EU trade policy agenda for the next five years on 9 November 2010¹. While including some positive elements, the Fair Trade movement is overall disappointed and considers it is “business as usual” despite the clear message from European citizens²: The EC “formula” to make trade work for development focuses on multilateral negotiations, bilateral trade agreements, autonomous trade instruments (e.g. GSP).

BUT THERE IS AN **IMPORTANT PILLAR** MISSING....

Trade is, essentially, about commercial relationships between private operators, and the EU policy on trade should attach adequate importance to the **role that companies and consumers (as opposed to government regulations and officials) can play to make trade work for development.**

EC officials recognize the difficulty of discussing sustainable development with the third country governments... why not recognizing the limitations of government-to-government trade and finding also other “out of the box” tools to contribute to more equity in trade and sustainable development?

A Eurobarometer report issued by the EC on 9 November 2010 shows that EU consumers make a distinction between products on the basis of social and ethical concerns. The EC should not turn a deaf ear and should ensure the right policy mix is put in place. In this context, “carrots” should be offered for entrepreneurs (in the South and the North), consumers and producers to engage in trade with more equity and sustainability.

EC Fair Trade specific current policy: mixing apples & pears

The definition of Fair Trade has been recognized by, amongst others³, the European Parliament Resolution of 2006 on Fair Trade and development and the EC (Communication of May 2009). The officially-recognized definition of Fair Trade is a concept which is ABOVE the existing Fair Trade consumer

¹ Communication Trade, Growth and World Affairs. COM (2010) 612/4: <http://ec.europa.eu/trade/trade-growth-and-jobs>

² FTAO press release available under: www.fairtrade-advocacy.org.

³ See www.fairtrade-advocacy.org under “Public Policy Texts”

assurance schemes⁴. ”. Just like supporting the concept of Organic Agriculture is not the same as dealing with the technical aspects that any organic certification scheme needs to comply with.

The EC Communication of 2009, by putting together in one single document its policy on Fair Trade and its policy on (any) trade-related consumer-assurance schemes, mixed “apples and pears.

There is a need to have a policy on Fair Trade (with the definition recognized by the EP and EC, which includes more than certification, like awareness-raising, producer support) and then, separately, put in place measures to ensure that all trade-related schemes comply with certain minimum rules. Both are important, but require different type of policies.

2. Fair Trade demands to European Commission

The Fair Trade movement calls on the European Commission to avoid treating Fair Trade as if it was a consumer-assurance issue. Continuing with the current unclear policy would ignore the clear pro Fair Trade message from the European Parliament, consumers and civil society organisations⁵.

This can be achieved by putting in place complementary sets of policies:

1) A trade policy that gives “carrots” for companies and consumers towards more equity in International trade

For example:

- **CSR in trade agreements & sustainable development chapter in trade agreements:** promotion of the Fair Trade concept as best practice on how EU consumers and companies can “do something” to achieve the EU Treaty goals of sustainable development, poverty reduction and free and fair trade.
- **GSP review:** consideration of the idea to move from country-based incentives to company-specific incentives on the basis of compliance of key ILO conventions and/or environmental regulations.

2) Fair Trade policy

Coordinated EU policies in support Fair Trade are needed. For example:

Within the remit of DG TRADE

- **Issue-specific trade policies** (e.g. child labour strategies, trade and labour): promotion of the Fair Trade concept as best practice on how EU consumers and companies can “do something”.
- **Financial support in DG TRADE budget:** Adequate financial space in support Fair Trade initiatives the EU and abroad is ensured in the EU 2012 budget and financial perspectives post-2013.

⁴ There are today two complementary Fair Trade channels: 100% Fair Trade-organizations’ accreditation system e.g. Oxfam Wereldwinkels (integrated supply chain route⁴) and product certification route⁴: Max Havelaar – certified products for companies that are not 100% Fair Trade.

⁵ The summary by the EC of the new trade policy public consultation reflected a widespread civil society explicit support to Fair Trade, a civil society-led initiative, as a tool and best practice in building more just and responsible production and trade. The summary of submissions referred to Fair Trade in various occasions. However, the EC Communication of 9 November does not mention Fair Trade even once. Quote in EC summary states: “Fair Trade is a different way of doing trade, it is not about aid, and it is not fundamentally about consumer-assurance issues”, available under: http://trade.ec.europa.eu/doclib/docs/2010/september/tradoc_146556.pdf

Liaising with other EC Directorate-Generals:

- **Role of the private sector in development:** Upcoming Communication should specifically support small producers in the South and recognise the concept of Fair Trade as a tool for companies to contribute to development.
- **Upcoming revision of the EU Sustainable consumption and production strategy** should give equal importance to the social and human pillar of sustainable development as to the environmental pillar: recognition and EU support to the concept of Fair Trade as best practice on how EU consumers and companies can “do something”. *Lead:* DG Environment.
- **Future new EU public procurement rules** should clearly allow “from the front door” contracting authorities to distinguish between Fair Trade and non Fair Trade products⁶ and stop the legal uncertainty being faced by contracting authorities today. *Lead:* DG Internal Market.
- **Upcoming revision of the EU Consumer Policy post-2013** should support Fair Trade as a best practice. *Lead:* DG Health & Consumer Protection.

3) Policy on (any) trade-related consumer assurance schemes

In parallel but separately, a much needed follow-up to ensure that all trade-related consumer assurance schemes can prove they do what they claim to do, are robust and following best-practices in standard-making and are not misleading consumers. That is absolutely necessary (also applicable to the specific Fair Trade schemes) but it is a completely angle and set of policies. *For example:*

Within the remit of DG TRADE

- **International Trade Centre’s database & website:** Financial support to this valuable initiative to give information to producers and consumers on the various trade related consumer assurance schemes.
- **Impact assessment:** support to initiatives that aim at supporting ethical trade initiatives to adequately harmonise collection of data and to present impact in a meaningful way.

Liaising with other EC Directorate-Generals:

- **Multiple certification issues:** the proliferation of certification schemes should not lead to being a market access barrier. The follow-up by DG AGRI to the “quality of agricultural certification schemes” and DG DEV should pay special attention to streamlining burden to the benefit in particular of small producers.

⁶ “Almost 40% (of EU citizens) are willing to pay more for products if they were produced under certain social and environmental standards or to support a developing country”. It concludes on this point (...) Europeans cannot be considered passive consumers: social and ethical concerns are among their criteria when buying a product or a service. *This may need to be factored into decision-making relating to future trade policy priorities*”. Eurobarometer report available under: <http://ec.europa.eu/trade/trade-growth-and-jobs/public-opinion>

3. Proposed next steps

EC Trade & Development Communication (end 2011)

- Includes a chapter on how consumers and producers can contribute to more equity in International trade and proposes measures to give “carrots” to encourage companies and consumers to make trade work for development.
- Confirms the need to have coordination of EU policies on Fair Trade

In practice, DG TRADE:

- Puts in place a Fair Trade-specific focal point within DG TRADE. There is already an excellent and committed DG TRADE official that coordinates the follow-up to the EC Communication of 2009 but, as said above, the current policy of DG TRADE (and therefore, the official’s “mandate”) mixes having a Fair Trade policy with a trade-related “consumer-assurance” schemes policy.
- Regularly liaises with the cross-party European Parliament Fair Trade Working Group to ensure coordinated EU policies on Fair Trade. This would require discussions with this Working Group before EC proposals are made.

Fair Trade criteria

(as defined exactly with the same wording by the 2006 EP Resolution and EC 2009 Communication)

- a **fair producer price**, guaranteeing a fair wage, covering the costs of sustainable production and living. This price needs to be at least as high as the Fair Trade minimum price and premium where they have been defined by the international Fair Trade associations;
- **part payments to be made in advance** if so requested by the producer;
- **long-term, stable relations** with producers and producers’ involvement in Fair Trade standard-setting;
- **transparency and traceability** throughout the supply chain to guarantee appropriate consumer information;
- conditions of production **respecting** the eight International Labour Organization (ILO) **Core Conventions**;
- respect for the environment, protection of human rights and in particular women's and children's rights and **respect for traditional production** methods which promote economic and social development;
- **capacity building and empowerment** for producers, particularly small-scale and marginalised producers and workers in developing countries, their organisations as well as the respective communities, in order to ensure the sustainability of Fair Trade;
- support for production and **market access** for the producer organisations;
- **awareness-raising activities** about Fair Trade production and trading relationships, the mission and aims of Fair Trade and about the prevailing injustice of international trade rules;
- **monitoring and verification** of compliance with these criteria, in which southern organisations must play a greater role, leading to reduced costs and increased local participation in the certification process;
- regular **impact assessments** of the Fair Trade activities.

For a list of EU official texts recognising **the concept of Fair Trade**, click [here](#).

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