

An innovative EU approach in support of Fair Trade practices in the new EU Trade & Investment Strategy

Fair Trade Advocacy Office Position Paper – v. 18 July 2015

Summary: The traditional tools of the EU trade agenda need to be complemented to make trade work for sustainable development. It is necessary to promote, in a bottom-up approach, Fair Trade best practices. On the framework of the upcoming EU Trade Strategy (expected for October 2015), the Fair Trade movement calls on the EC to use the new EU trade & investment strategy to unlock the power of producers/farmers, companies, local authorities and consumers by announcing coordinated initiatives to help them get engaged in Fair Trade. The European Commission, Member States, EU delegations and local authorities should be mobilised to promote Fair Trade best practices.

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1. Introduction & scope

Who we are

The Fair Trade Advocacy Office (FTAO) speaks out on behalf of the Fair Trade movement for Fair Trade and Trade Justice with the aim to improve the livelihoods of marginalised producers and workers in the South. The FTAO is a joint initiative of Fairtrade International, the World Fair Trade Organization and the World Fair Trade Organization-Europe. Through these three networks the FTAO represents an estimate of 2.5 million Fair Trade producers and workers from 70 countries, 24 labelling initiatives, over 500 specialised Fair Trade importers, 4,000 World Shops and more than 100,000 volunteers. The FTAO is also a founding member of the Alternative Trade Mandate (ATM) Alliance, a group of over 50 European organisations, representing farmers, trade unions, human rights advocates, environmentalists, development workers and the Fair Trade movement that put together their new vision for a trade policy for the European Parliament elections of May 2014.

The context

We understand that the European Commission intends to publish a new EU trade strategy in October 2015, that the strategy will include a section on trade and sustainable development and it will also looking at supply chains and responsible sourcing by companies, which the Fair Trade movement welcomes.

The specific purpose of this document is therefore to share the Fair Trade movement's views and suggestions on these new specific aspects of the strategy. It will not cover the Fair Trade movement wider demands of putting in place Fair Trade rules, apply policy coherence for (sustainable development), phase out worst forms of unfair trade and increase transparency and citizen's scrutiny of trade negotiations.

2. EU policies on Fair Trade: where are we in 2015?

First and foremost, the Treaty on European Union (TEU), when referring to the EU objectives in its relations with the wider world Article 3.5 reads "(...) *it shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and **fair trade**¹, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter.*"

We believe that the increasing support of Fair Trade by EU citizens and policy makers (European Parliament, Committee of the Regions, and in a large number of EU Member States and public authorities), together with the rapid growth of Fair Trade sales in the last years, should push the European Commission to further promote Fair Trade through its trade and investment strategy.

The Fair Trade movement welcomed the EC Communication "*Contributing to sustainable development: the role of Fair Trade and non-governmental trade-related sustainability assurance schemes*"² of 5 May 2009 which recognised the definition of Fair Trade as defined by the Charter of Fair Trade principles³. It also welcomed the distinction that the Communication made between Fair Trade as an economic and trade development strategy and the Fair Trade labels a sustainability trade-related consumer assurance scheme set up by civil society. In practice, however, there has been very timid (and insufficiently communicated) follow-up by the European Commission that could be improved through the new Trade Strategy. We believe that the EC should treat all Fair Trade and sustainability trade-related labels in the same way, but it should not limit its ambition to it. Fair Trade best practices should be further promoted as a strategy to unlock the power of governments, businesses, consumers. Of course, adopting Fair Trade practices should not be a destination, but a process to be encouraged through the EU trade strategy.

The Fair Trade movement also welcomed the EC "*Trade, growth and development*"⁴ Communication⁴ of 27 January 2011 which recognised Fair Trade as one "effective way to foster sustainable and inclusive growth" for these countries"⁵. The Communication also mentioned some ways in which the EU sustainable development can be promoted within a

¹ Consolidated version of the Treaty on European Union. Article 3 paragraph 5, introducing the changes made by the Treaty of Lisbon in 2009, refers to "free and fair trade". In French, "**commerce libre et équitable**", in Dutch "vrije en **eerlijke handel**", in Spanish "**comercio libre y justo**", in Swedish "Fri och **rättvis handel**", for example.

² European Commission Communication "*Contributing to sustainable development: the role of Fair Trade and non-governmental trade-related sustainability assurance schemes*" COM(2009) 215 final

³ "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 Organizations, 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".

⁴ Joint Communication by EU Development Commissioner Piebalgs and EU Trade Commissioner De Gucht. European Commission Commission, "Trade, growth and development, Tailoring trade and investment policy for those countries most in need", SEC(2012) 87 final, 27/01/2012

⁵ Ibid

“values-based” trade agenda: by “encouraging *its* partner countries to promote fair and ethical trade; by *further* facilitating fair and ethical purchasing choices by public authorities in Europe in the context of the upcoming review of the public procurement Directives”⁶. Among the measures announced in this Communication, a “small operators in developing countries package” was foreseen, including support to the “*participation of small businesses in trade schemes that secure added value for producers, including those responding to sustainability (e.g. fair, ethical or organic trade) and geographic origin criteria in development cooperation with third countries*”. Some of the above commitments were followed-up, but not all (e.g. small operators package), at least as far as FTAO is aware. We believe that the next EU Trade Strategy is the right instrument to take further steps in this direction.

Finally, recent positive developments at EU level have shown a growing interest in Fair Trade:

- Opinion by the Committee of the Regions “*Local and Regional Support for Fair Trade in Europe*” calling on the EC to put in place a European Strategy for Fair Trade⁷
- EC has systematically included Sustainable Development Chapters in the recent trade agreements that it has signed with third countries. In those chapters, specific mention is made of the promotion of “fair and equitable trade” within those agreements⁸.
- Strategic partnership of the EU delegation in Colombia with the Fair Trade producer platform in Colombia, which has resulted so far in various Fair Trade events being hosted by the Delegation, such as a panel discussions and a Fair Trade Fair.
- Re-establishment up of the European Parliament Fair Trade Working Group, a cross-party grouping of MEPs committed to EU enabling policy environment for Fair Trade

We see the new Trade Strategy as a key opportunity to build on the above mentioned policy developments and create the political framework to support the economic development strategy of Fair Trade in the producing countries through a coordinated set of actions. The strategy should encourage the uptake of Fair Trade by citizens, companies and public authorities in Europe.

3. EU policy recommendations

EU citizens are increasingly aware and informed about what they buy. They want to be sure that the products are produced under decent conditions, where people are paid a decent salary. Many surveys show that more and more consumers are also willing to pay more for Fair Trade products. At the same time, there are 2.5 million Fair Trade producers in Asia, Latin America, the Caribbean and Africa that meet Fair Trade standards but don’t always manage to sell their products as Fair Trade products, which means less income to them. This shows that **there are some market failures in connecting growing offer and growing demand for Fair Trade**, inter alia due to the role of intermediaries in trade and the lack of perfect flow of information.

An innovative approach to support uptake of Fair Trade practices is to ensure that the Fair Trade offer meets the Fair Trade demand.

⁶ Ibid

⁷<http://cor.europa.eu/en/activities/opinions/pages/opinion-factsheet.aspx?OpinionNumber=CDR%205704/2014>

⁸ For instance Article 324 of the Trade agreement between the European Union and Colombia and Peru and Article 288 of the EU-Central America association agreement. Article 195 of the EC-Cariforum Economic Partnership Agreement contains a similar language. FTAO is member and plays an active role in the consultative committees of the afore-mentioned FTAs / EPAs.

3.1. To support Fair Trade in the producer countries

The objective is to encourage a greater number of producers to benefit from Fair Trade conditions to ensure that there is sufficient Fair Trade offer for the EU Fair Trade demand.

The first and most needed step is to disseminate the knowledge of Fair Trade in producing countries and the market opportunities in the EU for these products.

Best practice: EU delegation in Colombia

The EU Delegation in Colombia organised various Fair Trade related activities in the framework of the implementation of the EU and Colombia Trade agreement. They hosted a seminar on Fair Trade, inviting other embassies and government representatives to learn more about the topic and to introduce them to the Fair Trade actors in Colombia.

In the framework of the meeting of the trade and sustainable development board of the EU and Colombia Trade agreement, the EU delegation organised an event on “Sustainable Trade and Investment with the Trade Agreement between the European Union and Colombia/Peru”, which included an Fair Trade Fair with a pavilion dedicated to showcase Fair Trade products from Colombia and a panel discussion.

A summary and photos of the Fair Trade Fair and panel discussion recently hosted by the EU delegation in Colombia (in Spanish): <http://clac-comerciojusto.org/pequenos-productores-de-comercio-justo-demuestran-que-otra-colombia-es-posible>

As a second step, small producers (and their cooperatives and producer groups) need to have access to specific market information in order to make investment decisions, for instance they need to know who are the main buyers, and retailers for that particular product, and whether there are specialised world shops. By doing this, producers will be empowered to make investment decisions that will secure a stable income for their produce that will be sold in the EU market.

Thanks to the Fair Trade schemes, producers can access the Fair Trade EU market. In order to be certified, they need to change their production methods, which is lengthy, and bear the certification costs. The certification also contributes to the reinforcement of their organizational capacities in order to meet the certification standards, which are quite demanding in terms of working conditions and the respect of environmental and social standards, besides the traditional difficulties to access the EU market in terms of technical regulations.

Proposed actions:

- EU Delegations in the EU partner countries should be **trained about Fair Trade, learn about what other EU delegations are doing** and be encouraged to organise activities to promote Fair Trade producers market opportunities in the growing EU Fair Trade market. EU delegations should also provide support to the producer organizations and cooperatives' capacities in the producing countries. This exchange of best practices by EU delegation could be organised centrally (when heads of trade & development come to Brussels for annual meetings) or in the context of the implementation of regional EPAs or sustainable development chapters in Free Trade Agreements.
- To annually commission and issue an **annual report about the state of play of Fair Trade in Europe**, including market data across the EU. These data could be

annually updated and launched at the annual Fair Trade EC event. The Dutch government used to fund (early 2000s) such an annual European Fair Trade market report “Facts and Figures” annual report, but when funding stopped this annual report was discontinued. The lack of data is however a big obstacle in the uptake of Fair Trade best practices.

- **“Support the participation of small businesses in trade schemes that secure added value for producers**, including those responding to sustainability (e.g. fair, ethical or organic trade)”. This is not a new policy, it was already laid down
- Partner up and financially support the strengthening of **Southern Fair Trade organisations and networks** (regional and national), in order to develop a competitive and inclusive local private sector. This could be done via financial support by DG DEVCO to the EU delegations to Fair Trade networks or support to regional networks.
- Raise trade capacities of Fair Trade organisations and networks to better make **business with European SMEs** and ensure greater integration into international value chains.
- In EU partner countries, support **legal frameworks**(e.g. the FTAs) that protect Fair Trade smallholders.
- Facilitate the **sharing and upscaling of best practices** among the existing Fair Trade producer support networks e.g. climate adaptation, organisational improvements, Internal Monitoring Systems (IMS) against child labour.
- Develop new, market based instruments and other relevant measures to mitigate risks along the agricultural value chains.

3.2. To support to trading opportunities

The objective is to support small producers to overcome the barriers that they face in finding Fair Trade markets to sell their products.

The first step for them is to have access to more buyers (especially European) and fairs to fully develop their commercial activity.

Proposed actions

- **Upgrade the EU Export help** desk by providing information on the Fair Trade market in Europe. The EC DG TRADE Export help desk is a useful information platform to help exporters in non-EU countries to understand the EU market and regulatory information. There is already some information on voluntary standards (e.g. organic agriculture rules⁹, EU eco-label on textiles) but there is no information on the growing Fair Trade market in Europe.
- Support **a mechanism of match-making between Fair Trade producers and European companies interested in buying Fair Trade**. This could be done via a database that is easily accessible for producers, facilitating access to European fairs, organising meetings with European buyers, etc.

⁹ EU Export Helpdesk <http://exporthelp.europa.eu>

- **Create a fertile environment that help small producers to access finances and address the “missing middle”:** developing financial instruments must include developing more risk capital funds with substantial scale and leverage and strengthen tools such as seed capital, guarantees and equity; this needs to be ‘affordable credit’.
- Finance **certification and verification costs** for producers in developing countries (e.g. by supporting benchmark and multiple certification approaches) and allow them to have access to grants or low-interest finance.
- To commission studies on how to promote sustainable development in trade, by exploring existing initiatives that allow to differentiate products on the basis of their production method, and propose different options of extending this at EU level to agricultural products. This could then translate into a **new initiative that grants preferential EU market access for sustainably produced agricultural goods**.

Considering the expected revision by the European Commission of the EU Aid for Trade (AfT) strategy, FTAO also suggest to:

- **Revise the EU Aid for Trade strategy** to promote responsible production methods and put producers and workers in a better position to advance their fair trade efforts¹⁰.
- Connect the **human rights-based approach** to Aid for Trade to fair trade and corporate social responsibility¹¹.
- Carry out **impact studies** of sustainable trade projects, in order to assess them against poverty reduction objectives.
Promote through AfT **poverty-reducing and inclusive instruments**, based on small producers needs with an emphasis on developing local markets and sustainable value chains.

3.3. To give visibility and reward local and regional best practices in Europe

The objective is to facilitate the exchange of good practice among local and regional authorities in order to help them benefit from the experience of each other in the promotion of sustainable development.

In parallel to the widespread of Fair Trade among the public, the concept has also gained support from public authorities across Europe. The most successful example is the International Fair Trade Towns Campaign. To date, over 1,600 towns in 25 countries worldwide have made commitments to increase their sourcing of Fair Trade products. More than 1.000 of these towns are located in Europe.

Proposed actions:

- ✓ The Commission could launch a European award scheme for local and regional authorities to promote the **“European Capital for Fair Trade”**, in line with similar existing initiatives in Europe (see best practice box below). The Committee of the Regions has recently asked for it in its opinion on the “local and regional support to Fair Trade in Europe adopted by its Plenary on 4 June 2015. Such a scheme would

¹⁰ As mentioned in the Norwegian Aid for Trade Action Plan of 2007. One concrete measure that it envisaged is the “Increased information and awareness raising on fair and responsible trade in cooperation with relevant Norwegian stakeholders”

¹¹ This is the case of the Finnish Action Plan 2012-2015 on Aid for Trade

not only reward the various modalities of Fair Trade support by cities in Europe, but would also help to disseminate the good examples to encourage other cities to take action in this area. In addition, this EU-wide recognition would be an incentive for them to go further in their commitments, besides giving visibility to the topic among citizens.

- ✓ Host an **annual Fair Trade public event**, hosted by the EU Trade Commissioner. This would be the best moment to officially hand. This would also be an occasion to present results of annual report on Fair Trade, including market data.

Examples of best practice

The **Access City Award** is an example of European award through which DG Justice recognises and celebrates cities that are dedicated to providing an accessible environment for all, in particular persons with disabilities and older people. Through a limited budget, the award has been promoting the exchange of good practice among cities and help local authorities learn from each other about ways to tackle accessibility barriers locally.

More information under: http://ec.europa.eu/justice/events/access-city-award-2015/index_en.htm

The **German Fair Trade City Award** is an example of national award offering municipalities and regions incentives to promote fair trade. As highlighted in the CoR opinion on 'Local and regional support for fair trade in Europe', the introduction of a "European Fair Trade Capital" award scheme could be, like the Access City Award, a cost effective way to encourage European municipalities to carry out their commitments in the area of fair trade.

More information under: www.service-eine-welt.de/hauptstadt/fh/hauptstadt/fh-start.html

3.4. To unlock power of consumers¹²

The objective is to encourage awareness on Fair Trade across the European Union (especially Central and Eastern Europe) and unlock the potential of EU citizens, companies and public authorities.

The latest edition of the Eurobarometer report¹³ on the occasion of the European Year for Development indicates that half of all EU citizens would be prepared to pay more for a fair-trade product. What is missing, therefore, in particular in Central and Eastern European countries, is not the motivation, but the necessary information and availability of Fair Trade products in the shelves and a wide public support to FT.

Proposed action:

- ✓ The Commission should include Fair Trade in its revision of the Sustainable Consumption and Production Action Plan -or any other policy initiatives in this area- as a key tool for private and public consumers to contribute to sustainable development. In addition, it should support an information-led development of the Fair Trade market, by increasing consumer awareness,

¹² In conformity with EU legislation, a consumer is a natural person, who is acting outside the scope of an economic activity (trade, business, craft, liberal profession)

¹³Special Eurobarometer 421: The European Year for Development – Citizens' Views on Development, Cooperation and Aid.

providing more information and promotion to consumers and operators, stimulating the use of Fair Trade standards, and improving the availability of production, supply and demand statistics as policy and marketing tools.

- ✓ Issue yearly opinion polls and in-depth research (about the readiness to buy fairly traded products in Europe) to monitor the demand for Fair Trade products in Europe.
- ✓ Finance **awareness raising activities** by CSOs and Local Authorities to promote the World Fair Trade Day in Europe, promote a resolution at UN level to officially adopt that Day
- ✓ Create a **website** for local and regional authorities that already support FT by various means where they can exchange good practices¹⁴.
- ✓ Create an **educational platform for teachers and schools** on Global Education methodology including links with the Fair Trade Schools campaign.

3.5. To unlock power of public procurers

The objective is to create an enabling legal framework for the introduction of Fair Trade in procurement.

Public procurement above certain thresholds is governed by the EU Public Procurement Directives. The revised EU rules on Public Procurement¹⁵ offer an enabling framework to reach this objective. They not only explicitly admit the possibility to include Fair Trade public contracts (which was subject to controversy in the past), they also allow procurers to rely on robust certification schemes in order to verify compliance with social and environmental criteria.

Proposed action:

- ✓ The Commission will revise the Buying Social guide¹⁶ explaining the new possibilities offered by the Public Procurement Directives for socially responsible procurement, and encourage public bodies to successfully integrate Fair Trade alongside other ethical criteria in their public purchases.
- ✓ Concrete examples of public authorities that already support small producers through their public purchases should be made available for other public bodies to follow the example.

3.6. To unlock power of companies

The objective is to support companies' contribution to sustainable development.

The EU is committed to ensure that the UN Guiding Principles on Business and Human Rights are adhered to at European level. In this context, the Commission wants to promote responsible sourcing among EU companies. The EU has also recently launched various instruments that put in place a qualified market access for certain products, such as the systems to prevent illegal timber¹⁷ and conflict-minerals¹⁸ being put on the EU market and

¹⁴Similar to the Covenant of Mayors and the Portal on Decentralised cooperation

¹⁵Directive 2014/24/EU on public procurement

¹⁶EUROPEAN COMMISSION, Buying Social: A Guide to Taking account of Social Considerations in Public Procurement, 2011

¹⁷More information on the EU Timber regulation and the FLEGT Action Plan

http://ec.europa.eu/environment/forests/timber_regulation.htm

¹⁸More information on the Conflict Minerals Initiative: [http://europa.eu/rapid/press-release MEMO-14-157_en.htm](http://europa.eu/rapid/press-release_MEMO-14-157_en.htm)

the EU is also one of the promoters of the WTO “Greens Goods” initiative¹⁹, which aims at lowering trade barriers for environment-friendly technologies.

Proposed actions:

- ✓ Ensure a level-playing field by requiring transparency in supply chains and a system of due diligence (as applied for the EU Timber Regulation) that requires persons placing products on the EU market to ensure compliance with labour, environmental rights of the country of origin. This could be applied to agricultural products and also to textiles.
- ✓ The EU should encourage European companies (including SMEs) to source under Fair Trade terms, integrating cooperatives and SMEs from the South in their value chains as a best practice for their international commitments in Corporate Social Responsibility.
- ✓ Extend(when appropriate) the scope of the WTO Green Goods Initiative to cover fairly traded products

4. Implementation: who does what?

Last but not least, below is a list of Institutions having executive powers that can play a key role in the implementation of a new EU approach to promoting uptake of Fair Trade best practices:

- ✓ European Commission: Putting in place and implementing an EU enabling policy environment for Fair Trade involves various EU policies and EC Directorate-Generals. A large part of the proposed actions do not involve an increase of expenditure but rather updating the objectives and tools of existing instruments. We call on the European Commission to re-establish the EC Inter-Service group (that was set up for the drafting of the 2009 EC Communication) in order to coordinate the implementation of a new EU approach to promoting uptake of Fair Trade best practices. This group should include officials of at least EC DG TRADE, DG DEVCO, DG ENVI, DG GROW, DG RESEARCH and, if possible, EEAS.
- ✓ EU delegations in the EU partner countries can play a key role in promoting the uptake of Fair Trade best practices, as the EU Colombia delegation shows. Exchange of best practices in promoting Fair Trade should be promoted annually using, for example, annual meetings of the Heads of Trade sections.
- ✓ Member States: EU Member States have important policy competences (e.g. import-export, development cooperation, trade missions in the EU partner countries) that will be key to the achievement of an innovative EU approach to promoting Fair Trade best practices. Adding Fair Trade once a year on the agenda of Trade Policy Committee meetings could help to exchange best practices and possibly identify joint initiatives.

¹⁹ WTO Green goods initiative http://europa.eu/rapid/press-release_IP-14-71_en.htm

- ✓ Local and regional authorities in Europe play a key role in promoting the uptake of Fair Trade best practices. EC DG TRADE should use the annual Fair Trade event (see above) as good way to have a dialogue with local authorities that are committed to Fair Trade. A section of the EC DG TRADE website could be devoting to showcasing local and regional authorities best practices on Fair Trade.

The Fair Trade Advocacy Office and, more generally, the two global Fair Trade networks that FTAO represents (Fairtrade International and the World Fair Trade Organization -Global and Europe-) stand ready to work together with the European Union Institutions in the implementation of a new EU approach in support of Fair Trade practices in the new EU Trade & Investment Strategy.

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