

What role for fair trade in EU Policies? Statement by Pascal Lamy at panel

Conference on Fair trade a contribution to sustainable development

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Honourable Members of Parliament, Ladies and Gentlemen,

Glad to be here as Commissioner for Trade.

Two questions hang in the air: "Is fair trade a contribution to Sustainable Development?" and "What role for fair trade in EU policies?" Slightly leading in nature: let me first join the dots in the way the organisers surely intended. Of course fair trade makes an important contribution to sustainable development. Of course, given the central role that the principle of sustainable development plays in EU policies, fair trade has an important position. That acknowledgement confirmed by the funds we continue to put into fair trade projects – it was €16 million into €30 million worth of projects between 1997 and 2002 alone, on 66 projects, bearing some evocative names. Particularly liked the sound of "shopping for a better world" project and you may realise my personal interest in "sustainable banana economy". And of course we shall go on offering support for relevant projects.

But my commitment to fair trade goes beyond the personal. World Summit for Sustainable Development (WSSD) Plan of Implementation contains overarching political commitments to integrate developing countries into the world economy. For example, Plan states that "all countries should promote sustainable consumption and production patterns, with the developed countries taking the lead and with all countries benefiting from the process". These principles are also embedded in the World Trade Organisation (WTO), whose objectives are to "raise standards of living, ensure full employment allowing for an optimal use of the world's resources in accordance with the objective of sustainable development".

As part of our concrete follow up on these high-level commitments, DG Trade is working, (some of you may have heard of our Sustainable Trade Action Plan), to help promote sustainable and fair trade by focussing "on the legal and business environment in which the value chain operates...to increase consumer knowledge of and confidence in products labelled as being "sustainable trade", "fair trade" or "ethical trade"".

The EU has also made specific commitments in relation to particular trading partners to promote fair trade. Through the EU's Partnership Agreement with African, Caribbean and Pacific countries, signed in Cotonou on 23 June 2000, the EU is committed to "support sustainable policy and institutional reforms and the investments necessary for equitable access to economic activities and productive resources" including "the promotion of fair trade". DG Trade also supports work of Sustainable Trade and Innovation Centre (STIC) working to develop markets for sustainable products through alliance of business consumer and civil society groups.

Later in day you will also hear more about what is going on on Development and Employment sides. Should also mention the Commission's recent communication on Agricultural commodities, which looks at the role of fair trade and other schemes and

indicates some lines for future involvement, including the role of clearinghouse for experience to date, as well as promotion of public awareness and some further involvement.

Finally, fair trade also forms part of the Commission's considerations as it studies the recent Report of World Commission on Social Dimension of Globalisation. We expect to issue a communication in May.

So within our commitment to sustainable development it is clear that fair trade has honourable place. But I do not want only to leave you with a message of support and praise for what you do. I need also to spell out some limits to our engagement with fair trade.

Fair trade has, in a sense, drawn attention to a hidden lever of foreign policy. Power of consumers to influence conditions in third countries by their purchasing decisions. Global brands and global reputations can be made and unmade by what the consumer learns. But also, conditions can be influenced in countries far from the consumers' own. And yet, of course, limitations also to this power of the consumer when supply chains opaque. So on the one hand the customer is King, but on the other the King is powerless without information.

So this consumer mobilisation is a private and voluntary matter, involving certain limits for us as public authorities. But our engagement with fair trade as public authorities is most clearly justified when it serves the public interest issues of clarity, and transparency about the product's origins. Otherwise we have to be wary of going outside the usual state interaction by Treaty and international agreement. If we go too far down road of instrumentalising fair trade movement to serve our public international policy objectives of promoting sustainable development there can be risk of breaking the international rules or of making special favours to one set of private actors over another. To avoid doing so is also a matter of internal competition considerations.

For fair trade not the only player on the field. Many companies and private sector organisations now developing their own codes of conduct relating to labour issues, human rights and environment, as part of their implementation of corporate social responsibility, or CSR. These codes may in some cases be less ambitious, in some ways they may score more highly than individual fair trade products against specific benchmarks. Whatever their nature, they too have the potential to increase the number of producers which benefit from improved conditions.

Mainstreaming of sustainable production practices into corporate practice is, I know, not something that the fair trade movement opposes in principle. Imitation is the most sincere form of flattery. And the CSR world is interested in what fair trade has achieved. You will hear some more about the Commission's multi-stakeholder forum roundtables later today. I just mention in passing that the Round Table on development issues has heard how the fair trade movement has developed valuable experience of building transparent and sustainable relationships between Northern consumers and Southern suppliers. So fair trade and CSR approaches are not worlds apart, though I know that each side has some reservations about the other. Fair trade, should I say, is wary about any dangerous dilution of the principles and practices it represents. That old advertising slogan: "beware of cheap imitations". The CSR side may argue that a small improvement in the mass market can represent a change to the lives of more producers than anything that happens in a niche market.

But whilst head counts can tell us a lot, especially in terms of public policy, they do not always capture the dynamic aspects of promoting sustainable development via changed practices and expectations. The particular characteristics of fair trade have allowed it to have a disproportionate influence on the whole market, and to be a communicating force vis a vis the consumer and at producer level too. Fair trade products themselves of course also

increasingly visible in mass market outlets, but perhaps particularly through pressure on expectations – both on part of producer and consumer - that fair trade has had its greatest impact.

There are some difficult issues involved in looking at the way the different initiatives work – some insist on independent auditing, some do not, some involve ngo's or local stakeholders in the setting of standards, some refer only to international norms. Some regard price as a market issue, others insist on the importance of long term relationships, and remuneration which does not fluctuate with commodity cycles but which covers basic human needs in a given society.

Some emphasise strict conformity with labour conventions, some stress more the importance of charting progress, for example towards an acceptable level of opportunity for children's schooling. Some cover environmental issues more than others. There is a range of practice out there, of which fair trade is part. Because one particular effort or scheme does not ring all the bells of sustainable development, but only some, does not mean to say that the contribution is not real, so impossible for the Commission to say to any particular actor “only this is valid, only to this will we give status, recognition and support.”

So no easy answers but we are always looking at what scope there is for Commission intervention to help things along. Sustainable development led by sustainable production and consumption will only happen if there is good communication and understanding about the issues. So my services are busy looking, with other Commission services, and with regular inputs from all concerned actors, at what scope there might be for making an input in the process of developing guidelines for social ethical and fair trade labelling. If we could make progress in this area there are real benefits that I imagine might flow from it.

First, in that a common vocabulary should emerge so that ever more consumers should really understand the choice that he or she can make by backing one product over another.

Secondly, in making it easier for public bodies to follow the consumers' lead and express their enlightened preferences when making purchases.

Thirdly, a clearly defined concept would allow us to introduce market incentives into our bi-lateral trade policy making. That this is not part of our policy today reflects no more than that the vocabulary is not defined and agreed.

And then increasingly, I hope, it might be possible to factor in these criteria in the system of incentives and constraints represented by the international Trade rules. Non-discrimination by States over goods that are on face of it equivalent will always be an issue here, and the reactions of developing countries to going beyond the current position of voluntary, private schemes is always likely to be problematical, but we at least need to be open to the possibilities, and press forward where we can. I am confident that by continuing to work closely with the fair trade community we can make the most of these possibilities.