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Fair Trade and development

European Parliament resolution on Fair Trade and development (2005/2245(INI))

The European Parliament,

- having regard to its resolution of 2 July 1998 on fair trade¹,
- having regard to its resolution of 10 April 2003 on the crisis in the international coffee market²,
- having regard to the communication from the Commission to the Council and the European Parliament of 12 February 2004 entitled "Agricultural Commodity Chains, Dependence and Poverty - A proposal for an EU Action Plan" (COM(2004)0089),
- having regard to the communication from the Commission to the Council of 29 November 1999 on "fair trade" (COM(1999)0619),
- having regard to the opinion of the European Economic and Social Committee of 27 October 2005 on Ethical Trade and Consumer Assurance Schemes³,
- having regard to the Declaration and plan of action on African Commodities adopted by the Conference of Ministers of Trade of the African Union held in Arusha on 21 - 23 November 2005,
- having regard to São Paulo Consensus, Eleventh Session of the United Nations Conference on Trade and Development (UNCTAD), held in São Paulo on 13 - 18 June 2004,
- having regard to Articles 177 to 181 of the EC Treaty,
- having regard to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000 (the 'Cotonou Agreement')⁴, and amended in Luxembourg on 25 June 2005⁵, and in particular Article 23(g) thereof,
- having regard to the Compendium on co-operation strategies to the Cotonou Agreement, issued by the Commission in 2001,
- having regard to the Handbook on environmental public procurement of the European Commission entitled "Buying Green" of 2004,

¹ OJ C 226, 20.7.1998, p. 73.

² OJ C 64 E, 12.3.2004, p. 607.

³ OJ C 28, 3.2.2006, p. 72.

⁴ OJ L 317, 15.12.2000, p. 3.

⁵ OJ L 287, 28.10.2005, p. 4.

- having regard to the report of AFNOR (Agence française de normalisation) entitled "Les critères applicables à la démarche de commerce équitable" of 9 December 2005,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Development and the opinion of the Committee on International Trade (A6-0207/2006),
- A. whereas Fair Trade has proved to be an effective way of promoting sustainable development,
- B. whereas Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards have in common their ambition to market, sell and promote trade in products which comply with certain social, environmental and development criteria,
- C. whereas Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards are important instruments for achieving the Millennium Development Goals (MDGs), particularly the eradication of poverty and the global partnership for development,
- D. whereas prices for many of the main agricultural exports of developing countries, such as sugar, cotton, cocoa and coffee, fell by 30 to 60 % between 1970 and 2000 forcing small farmers to sell their goods below the cost of production and reducing the revenue of many of the poorest countries in the world and whereas Fair Trade can provide solutions,
- E. whereas Articles XXXVI-XXXVIII of the General Agreement on Tariffs and Trade (GATT) commit members of the World Trade Organization (WTO) to take joint action, where appropriate, to achieve the stabilisation of commodity prices; whereas the African Union insists that the commodity issue be part of the ongoing WTO negotiations,
- F. whereas Article 23(g) of the Cotonou Agreement stipulates support for the promotion of Fair Trade and the Compendium on co-operation strategies to the Cotonou agreement specifies in paragraph 64 of Section 2.6.3. that “Co-operation shall provide support to both producer groups in developing countries and NGOs within the EU through budget headings and EDF resources. This support shall be used to finance the launching of new product lines, consumer awareness campaigns, educational activity and capacity building”,
- G. whereas Fair Trade 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 undertakings to operate in a way which is fairer and more conducive to sustainable development; whereas the international Fair Trade movement pursues the latter objective by setting an example and by exerting pressure on governments, international organisations and businesses,
- H. whereas a number of other independently monitored trading initiatives contributing to raising social and environmental standards pursue objectives which both support sustainable development for producers and workers in developing countries and are designed to enable private companies to become actively involved in and to support

sustainable development,

- I. whereas Fair Trade organisations play an important role in raising awareness in relation to North-South relations, particularly through public campaigns and the strengthening of citizen-to-citizen cooperation, as well as through the concept of Fair Trade towns and universities,
- J. whereas Fair Trade sales have been growing in Europe by on average 20% per year since 2000, with more than one million producers and their families benefiting from them and proving that European consumers are increasingly interested in responsible purchasing; whereas growth in such trade differs between the Member States, and the overall market share of Fair Trade is still small but developing rapidly, while international trends are similarly encouraging,
- K. whereas an increasing number of European retailers make significant efforts to support Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards by communicating their values and offering their products in their outlets,
- L. whereas millions of producers want to join the Fair Trade system and other independently monitored trading initiatives contributing to raising social and environmental standards and whereas there is a huge potential for further growth; whereas international trade and agriculture policies cause difficulties, particularly for small and medium-sized enterprises in developing countries, including Fair Trade producers,
- M. whereas awareness needs to be raised among European consumers about the positive impact of Fair Trade on the socio-economic situation of producers and their local communities,
- N. whereas producers and consumers benefit from a single identifiable Fair Trade certification mark, as is already in place,
- O. whereas, in the context of Fair Trade, particular attention should be paid to the role of women, who are the main economic agents in sustainable development,
- P. whereas Fair Trade has proven to be an effective tool in supporting indigenous people and has given them the opportunity to sell their goods directly on European markets while pursuing traditional ways of life and production,
- Q. whereas Fair Trade products are marketed under two different routes: the integrated route, whereby products (mainly crafts) are imported via Fair Trade organisations and distributed mainly in specialised Fair Trade shops (worldshops), and the labelling route, whereby goods are labelled by specialised Fair Trade certification agencies to certify that their production chains respect Fair Trade principles,
- R. whereas internationally harmonised voluntary standards for labelled and non-labelled Fair Trade products and organisations have been developed over the last five decades by the international Fair Trade movement, namely the following organisations: FLO (Fairtrade Labelling Organizations International), IFAT (International Fair Trade Association), NEWS (the Network of European Worldshops) and EFTA (European Fair Trade Association),

- S. whereas, in view of the success of Fair Trade and the lack of legal protection, there is a risk that the concept may be abused by companies that enter the Fair Trade market without complying with the relevant criteria; whereas this may reduce the benefits for poor and marginalized producers in developing countries, may also reduce transparency for consumers and may infringe consumers' rights to appropriate product information,
 - T. whereas some Member States have started legislative processes to regulate the use of the term Fair Trade and the criteria for qualification as a Fair Trade organisation,
 - U. whereas the Commission has no clear policy as regards Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards, and whereas there is no structured co-ordination between its different Directorates-General in this regard,
 - V. whereas assistance and support for Fair Trade, Fair Trade organisations and other independently monitored trading initiatives contributing to raising social and environmental standards in Europe is currently limited and fragmented,
 - W. whereas Fair Trade products are increasingly being offered in the EU institutions,
 - X. whereas there are means by which governments can support Fair Trade which are compatible with WTO rules, provided that they are non-discriminatory between WTO Member States,
1. Urges the Commission to issue a recommendation on Fair Trade, recognising that a non-binding legislative act is the appropriate form of act at this point in time and would not carry the risk of over-regulation, and to consider issuing a recommendation on other independently monitored trading initiatives contributing to raising social and environmental standards;
 2. Believes that, in order to eliminate the risk of abuse, Fair Trade needs to meet a number of criteria, which are defined by the Fair Trade movement in Europe as being the following:
 - a) a fair producer price, guaranteeing a fair wage and 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 international Fair Trade associations;
 - b) part payments to be made in advance, if so requested by the producer;
 - c) long-term, stable relations with producers and involvement on the part of producers in Fair Trade standard-setting;
 - d) transparency and traceability throughout the supply chain to guarantee appropriate consumer information;
 - e) conditions of production which respect the eight International Labour Organization (ILO) Core Conventions;

- f) 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;
 - g) capacity building and empowerment for producers, particularly small-scale and marginalised producers and workers in developing countries, and their organisations, as well as for the respective communities, in order to ensure the sustainability of Fair Trade;
 - h) support for production and market access for producer organisations;
 - i) awareness-raising activities about Fair Trade production and trading relationships, the mission and aims of Fair Trade and the prevailing injustice of international trade rules;
 - j) 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;
 - k) regular impact assessments of Fair Trade activities;
3. Stresses that the most significant part of the increase in Fair Trade sales has been achieved with respect to labelled products, and that Fair Trade labelling initiatives have been developed in most European countries;
 4. Notes that Europe is the biggest market for Fair Trade products, with an estimated 60% to 70% of global sales, and that it has potential for further growth;
 5. Recalls that the establishment of a free and fair multilateral trading system constitutes the best tool for achieving the effective management of globalisation, for the benefit of all; recalls, moreover, that the Fair Trade system has proven to be an important tool for poverty reduction and sustainable development and believes that, in the long term, it could facilitate the equitable participation of developing countries in the multilateral trading system, guarantee them stable and sustainable access to the European market and raise consumer awareness;
 6. Recalls that, while international trade agreements fail to deliver for poor countries, the Fair Trade system has proved to be effective in poverty reduction and sustainable development; believes that, in the long term, it could allow developing countries to fully participate in the multilateral trading system;
 7. Calls on the Commission and the Council to promote Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards as effective tools for achieving the MDGs and to recognize the important role of Fair Trade organisations and other independently monitored trading initiatives contributing to raising social and environmental standards in supporting small and marginalised producers in developing countries and in increasing the awareness of European consumers with regard to sustainable and ethical North-South trading relations in general and to Fair Trade in particular;
 8. Recalls that European trade policies must improve market access for small producers in

the South;

9. Calls on the Commission to undertake a study to examine how Fair Trade could develop into a model for sustainable trade policy which would be capable of stimulating balanced North-South trade, and to identify the obstacles to trade which impact most seriously on the world's poor;
10. Calls on the Commission to recognise that there are also other credible schemes that, alongside the Fair Trade movement and under the umbrella of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL), contribute to defining social and environmental standard-setting in third-party certification;
11. Calls on the Commission and the Member States to take appropriate measures to ensure that consumers have access to all information they need in order to make informed choices; believes that consumers must have the right to quick access to product information, which must be easily comprehensible and presented in a transparent way;
12. Calls on the Commission to liaise with the international Fair Trade movement in supporting clear and widely-applicable criteria against which consumer assurance schemes can be assessed, underpinning consumer confidence in such schemes and consolidating the Fair Trade product sectors;
13. Calls on the Commission to launch specific calls for proposals in relation to Fair Trade targeted at raising consumer awareness, supporting assurance schemes and labelling and systematic data collection and assessment of effects across the EU;
14. Calls on the Commission to improve coordination of its activities in the field of Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards by the different Directorates-General responsible for Development, Trade, Employment and Social Affairs, Consumer Protection, Internal Market and Agriculture and to make Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards integral parts of its policies in these areas;
15. Asks the Commission and the Council to study and to consider implementing a low VAT rate for Fair Trade products and to eliminate import duties on Fair Trade products from developing countries; stresses that any products on which a low VAT rate are levied should be closely monitored in order to avoid abuse;
16. Urges Member States that are currently developing Fair Trade legislation or legislation that may affect Fair Trade organisations and other independently monitored trading initiatives contributing to raising social and environmental standards to base any relevant criteria on the knowledge and experience of the relevant stakeholders, including the international Fair Trade movement, and as a first step thoroughly to assess the risk of over-regulation as well as the possible impact of such regulation on small and marginalised producers;
17. Urges the Commission to implement Article 23(g) of the Cotonou Agreement and the provisions as laid down in the Compendium on co-operation strategies to the Agreement, in particular paragraphs 61 to 64 thereof;

18. Calls on the Commission to establish an internal contact point to ensure regular coordination on Fair Trade issues between its different services;
19. Calls on the Commission to provide "Aid for Fair Trade":
 - (a) in developing countries, including therein measures to develop new Fair Trade products, provide technical assistance and capacity building (for instance to meet the European Sanitary and Phyto-sanitary (SPS) standards, rules of origin and the growing number of corporate standards), encourage moves into manufacturing (value-adding), support capacity building and empowerment programmes, support pre-financing for Fair Trade producers and assist in the distribution of Fair Trade products on local markets, with a special emphasis on projects implemented by women;
 - (b) within the EU, including therein measures to support Fair Trade awareness-raising programmes, public campaigns and advocacy activities, research on impact and best practice, supply chain analyses, traceability and accountability assessments, Fair Trade marketing support and practical support for worldshops;
 - (c) within the EU and in developing countries, with a view to promoting the work and role of Fair Trade organisations.
20. Invites the Commission, after having consulted stakeholders, to present a proposal to Parliament for appropriate action and funding in the area of Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards;
21. Asks the Commission to look into means of further raising awareness in relation to Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards;
22. Calls on public authorities in Europe to integrate Fair Trade criteria into their public tenders and purchasing policies and asks the Commission to promote this by, for example, producing guidelines for Fair Trade procurement;
23. Recalls that regional authorities in particular make major investments in relevant product markets; consequently calls on these bodies, in their calls for tender, to give special consideration to Fair Trade products;
24. Welcomes the increased efforts of Parliament in particular to offer Fair Trade products, and stresses that all EU institutions should use Fair Trade products in their internal services;
25. Emphasises that Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards can be successful tools for making enterprises socially aware and socially responsible;
26. Stresses the importance of making European policy on corporate social responsibility more inclusive through the continuation and intensification of multi-stakeholder fora, including fora where Fair Trade organisations are present;

27. Urges the Commission to support mechanisms for the participation, where feasible, of producers in price determination, as provided for in paragraph 63 of the Compendium on co-operation strategies to the Cotonou Agreement;
28. Urges the Commission to support the African Union to include as a matter of priority the issue of commodity prices in ongoing global trade negotiations in accordance with its WTO commitments, in particular GATT Articles XXXVI - XXXVIII;
29. Calls on the Commission to take action, in accordance with paragraph 2(a) of GATT Article XXXVIII, to devise measures designed to stabilise and improve market conditions for primary products of particular interest to less-developed countries "including measures designed to attain stable, equitable and remunerative prices for exports of such products";
30. Welcomes the introduction of special social and environmental clauses under the Generalised System of Preferences + (GSP +), but sees the need for reinforcement of the monitoring mechanism;
31. Urges the Commission to develop a coherent policy for the promotion and protection of small and marginalised producers, including Fair Trade producers, representing their views, as well as those of producers associated with other independently monitored trading initiatives contributing to raising social and environmental standards, in bilateral, regional and multilateral trade negotiations, such as the Economic Partnership Agreements;
32. Calls on the Commission to take the Fair Trade and other social and environmental trading approaches into account when formulating EU trade policy;
33. Instructs its President to forward this resolution to the Council and Commission as well as to the ILO, the United Nations Environment Programme, UNCTAD and the WTO.