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REPORT

on Fair Trade and Development
(2005/2245(INI))

Committee on Development

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CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	3
EXPLANATORY STATEMENT.....	11
OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE	17
PROCEDURE	20

MOTION FOR A 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 Trade ¹,
- having regard to its resolution of 10 April 2003 on the crisis in the international coffee market ²,
- 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 Schemes (REX/196),
- 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, 21 - 23 November 2005,
- having regard to São Paulo Consensus, Eleventh Session of the United Nations Conference on Trade and Development, held in São Paulo, 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 (ACP) Group of States, of the one part, and the Community and its Member States, of the other part, signed in Cotonou on 23 June 2000 (Cotonou Agreement)³ and amended in Luxembourg on 25 June 2005, particularly 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", 2004,
- having regard to AFNOR project, entitled "Les critères applicables à la démarche de commerce équitable", 9 December 2005,

¹ OJ C 226, 20.7.1998, p. 65.

² OJ C 64E, 12.3.2004, p. 607.

³ OJ L 317, 15.12.2000, p. 3.

- 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 to reach 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 percent 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 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 to take joint action, where appropriate, to achieve the stabilisation of commodity prices; and 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 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: to provide opportunities for development for small-scale producers and workers in developing countries and to influence the international trading system and private companies towards becoming more just and 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 in support of sustainable development for producers and workers in developing countries and to enable private companies to become actively involved and effectively supportive of sustainable development,

- I. whereas Fair Trade Organisations play an important role in raising awareness on 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 differs between the EU Member States, and the overall market share of Fair Trade is still small but is 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 conveying its 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, 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 amongst 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 to support indigenous people by giving them the opportunity to sell their goods directly to European markets while pursuing traditional ways of life and production,
- Q. whereas Fair Trade products are marketed under two different routes: the integrated route where products (mainly crafts) are imported via Fair Trade Organisations and distributed mainly in specialised Fair Trade shops (Worldshops), and the labelling route where 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, organised in the international Fair Trade associations FLO, IFAT, NEWS and EFTA,
- 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; this may reduce the benefits for poor and marginalized producers in developing countries, it may also reduce transparency for consumers and may breach their right 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 Fair Trade Organisations,
 - U. whereas no clear policy as regards Fair Trade and other independently monitored trading initiatives contributing to raising social and environmental standards, prevails in the Commission and there is no structured co-ordination between different Directorates General (DGs),
 - V. whereas current 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 limited and fragmented,
 - W. whereas Fair Trade products are increasingly being offered in the institutions of the European Community,
 - X. whereas there are WTO-compatible means by which governments can support Fair Trade, 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 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 Fair Trade, in order to eliminate the risk of abuse, needs to fulfil a number of criteria which are defined by the Fair Trade movement in Europe as being:
 - a) 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,
 - b) part payments to be made in advance if so requested by the producer,
 - c) long-term, stable relations with producers and producers' involvement in Fair Trade standard-setting,
 - d) transparency and traceability throughout the supply chain to guarantee appropriate consumer information,
 - e) conditions of production respecting 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, their organisations as well as the respective communities, in order to ensure the

- sustainability of Fair Trade,
- h) support for production and market access for the producer organisations,
 - i) 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,
 - 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 the 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 has the potential for further growth;
 5. Recalls that the establishment of a free and fair multilateral trading system constitutes the best tool to achieve an effective management of globalisation for the benefit of all; moreover, the Fair Trade system proves to be an important tool for poverty reduction and sustainable development and believes that, in the long term, it could facilitate an 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 the 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 to reach 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 marginalized 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 for 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 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), collaborate to define

social and environmental standard-setting in third-party certification;

11. Calls on the Commission and Member States to take appropriate measures to ensure that consumers have access to all information they need in order to make informed choices; and believes that consumers must have the right to access quickly 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" with objectives targeted at Fair Trade in order to raise consumer awareness, support assurance schemes and labelling, as well as 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 different DGs 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 products on which a low VAT rate would be 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 the related criteria on the knowledge and experience of the relevant stakeholders, including the international Fair Trade movement, and as a first step to thoroughly 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 articles 61 to 64;
18. Calls on the Commission to establish a contact point within its structure that shall 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 measures to develop new Fair Trade products, provide technical assistance and capacity building (for instance to meet the European SPS standards, rules of origin, as well as 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, 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 measures to support Fair Trade awareness raising programmes, public campaigns and advocacy activities, research on impact, 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, to promote the work and the role of Fair Trade Organisations.

20. Invites the Commission, after having consulted the relevant stakeholders, to present a proposal to the 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 enhancing awareness-raising 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, e.g., producing guidelines for Fair Trade procurement;
23. Recalls that public-law regional authorities in particular make major investments in the product market; consequently calls on these bodies, in their calls for tender, to give special consideration to Fair Trade products;
24. Welcomes the increased efforts of, in particular, the European Parliament to offer Fair Trade products and stresses that all European 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 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 Fair Trade Organisations;
27. Urges the Commission to support mechanisms for producers to be involved and participate in price determination where feasible, as foreseen in the compendium on co-operation strategies of the Cotonou Agreement, paragraph 63;
28. Urges the Commission to support the African Union to include as a matter of priority the issue of commodity prices in the 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 GATT Article XXXVIII, paragraph 2(a), 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 GSP +, but sees the need for a 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, incorporating their views as well as the views of the producers of 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 (EPAs);
32. Calls on the Commission to take the Fair Trade and other social and environmental trading approaches into account when formulating the 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.

EXPLANATORY STATEMENT

1. Why is a European policy framework for Fair Trade needed?

1.1 Because Fair Trade contributes to fulfil the EU's commitment for sustainable development and poverty reduction

Fair Trade contributes to the European Union's commitments as laid down in Article 177 of the EC Treaty, which states that the EU's development policy will foster "the sustainable economic and social development of developing countries, and more particularly the most disadvantaged among them, - the smooth and gradual integration of the developing countries into the world economy, - the campaign against poverty in the developing countries." Fair Trade has been repeatedly recognized by European Institutions as a key tool for sustainable development and poverty reduction¹.

A European policy framework and support for Fair Trade are excellent tools to fulfil these commitments and to reach the Millennium Development Goals.

1.2 Because the European Union has entered into legal commitments

By signing the Cotonou Agreement in 2000, the European Union committed to support Fair Trade. However, current support to Fair Trade and Fair Trade Organisations is limited and fragmented. The European Union's legal commitments are found in Art. 23 g) and the Compendium of the Cotonou Agreement.

1.3 Because Fair Trade has a huge potential to grow

Recent research shows that Fair Trade sales in Europe have been growing at an average 20% per year since 2000. European consumers are increasingly interested in purchasing products that were produced and traded under fair conditions. However, this demand varies widely among EU Member States.

Overall sales of Fair Trade in Europe have arrived at 660 million euros in 2005. Typical Fair Trade products reach now considerable market shares in some countries: 20% of ground coffee in the United Kingdom and about 2% of all coffee sales in Austria, Denmark, Ireland, Belgium and Germany carry the Fair trade label. Fair Trade bananas reach market shares of up to 5.5% in Austria, Belgium, Finland and the United Kingdom. However, in some EU Member States like Greece, Hungary, the Baltic States and Slovenia, Fair Trade is hardly known.

With a coherent EU-wide policy framework and sufficient support to Fair Trade and Fair Trade Organisations, consumer awareness and demand for Fair Trade could be boosted, particularly in those countries where it is not yet well established.

¹ See: - 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
- Speech Pascal Lamy, EU Trade Commissioner 23 March 2004
- Speech "The Fair Trade Agenda" Peter Mandelson, 22 June 2005

1.4 Because national Fair Trade legislation could hinder the free movement of Fair Trade goods within the European Union

In some European Member States, related legislation is currently being developed. A European framework, sketched out in a recommendation, could be helpful to avoid that legislation differs between Member States and thus hinders the free movement of goods within the European Union.

1.5 Because European consumers need to be protected against misleading Fair Trade claims

The Fair Trade system is based on voluntary standards for labelled and non-labelled products and organisations. These standards have been developed over the last five decades by the international Fair Trade movement. They are constantly being reviewed and assessed in cooperation with the producers who are at the heart of the Fair Trade system. Fair Trade Organisations are responsible for fulfilling these standards and the related criteria. The compliance with the standards is regularly monitored and assessed. Fair Trade Organisations actively work with other companies such as retailers and other commercial partners. 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 market without complying with the related criteria. Consumer rights and appropriate product information are at the heart of Fair Trade and low-criteria labels might mislead consumers and reduce their support to the system. A European policy framework for Fair Trade could help to clarify the use of the term “Fair Trade” and to serve as a reference for national policies on Fair Trade and Fair Trade Organisations.

ANNEX 1

The existing routes of commercialisation of Fair Trade products

Fair Trade products are commercialised under two different routes. The traditional or integrated route is the route where products (mainly crafts) are produced, imported and/or distributed by a Fair Trade Organisation. Another marketing route is through Fair Trade labelling initiatives and certification. In this case, goods are labelled by specialised Fair Trade certification agencies to testify that their production chains respect Fair Trade standards. The importers and traders can be traditional commercial companies, and the distribution channels can be regular retail outlets.

The integrated route

Fair Trade products are made available to consumers through Fair Trade Organisations which identify and source products directly from small producers and co-operatives, and import and market them in specialised outlets such as Worldshops.

All aspects of their commercial operations are based on a *Fair Trade* ethos, and as much of the final price as possible is passed back to the producers. In many cases profits generated are devoted to development causes. The majority of products marketed through Worldshops are not labelled as such; the purchase is done on the basis of confidence. The “brand names” or Fair Trade Mark of these organisations are in themselves a signal to consumers that the products and business practices are in accordance with *Fair Trade* principles.

Most of the Fair Trade Organisations and producer organisations are members of the International Fair Trade Association, **IFAT**. The use of a **Fair Trade Organisation (FTO) Mark** is granted to a Fair Trade Organisation which has successfully met the requirements of the IFAT Standards and Monitoring system.

The Fair Trade labelling route

Under this route, national labelling initiatives monitor the compliance with Fair Trade standards by producers or traders against a set of internationally harmonized standards. These organisations are all members of **FLO** (Fairtrade Labelling Organisations International), the Fair Trade standard-setting and certification organisation. The International Fairtrade Standards are developed and regularly reviewed and monitored independently.

The Fair Trade movement is organized in four international associations:

The International Fair Trade Association (**IFAT**) is the global network of Fair Trade Organizations, with 270 members in 61 countries. The members are producers, exporters, importers and retailers who all believe that trade should improve the lives of marginalized people without harming the planet.

FLO, Fairtrade Labelling Organizations International, is the world-wide Fairtrade standard setting and certification body. FLO comprises two organizations, the multi-stakeholder FLO e.V. which develops and reviews standards, and FLO Certification Ltd which ensures that those standards are met. FLO also provides the umbrella association for twenty national Labelling initiatives across 15 European countries, Japan, the USA, Canada, Mexico, Australia and New Zealand.

EFTA, the European Fair Trade Association, belongs to the international association along with its eleven members in nine European countries, all major Fair trade importers. The aim of EFTA is to support its member organizations in their work and to encourage them to cooperate and coordinate.

The Network of European World Shops is also a member of the international association. **NEWS!** is the umbrella network of 15 national Worldshop associations in 13 countries in Europe. Between them they have a membership of 2500 Worldshops, run by more than 100,000 volunteers and more than hundred staff, selling fairly traded products and campaigning for a fairer world trade system.

In December 2001, these four networks have developed a joint definition of Fair Trade:

Fair Trade definition

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 international trade.

ANNEX 2

The impact of Fair Trade

The impact of Fair Trade has been studied in many different ways, e.g. by measuring the economic and financial benefits to the producers, by assessing the impact on women, by studying the indirect impact and spill-over effects on the communities, etc. Fair Trade Organisations monitor the impact of their activities regularly: IFAT requires all its member organisations to report their achievements in relation to Fair Trade standards every two years, and sets targets for further improvements. FLO carries out annual inspections of producers on its registers and audits trade flows. Additionally, there is a series of independent impact studies, carried out by research centres, government bodies and universities.

The financial and economic benefits of Fair Trade can be measured relatively easily: In 2003, the extra benefits for coffee farmers, for instance, taking the World market price as defined for Arabica by the NY and for Robusta by the London stock exchange, compared with the Fair trade minimum price and premium, amounted to over 23 million euros.

However, research has shown that the impact is even more significant in non-economic areas, such as the empowerment of producers through capacity building and technical assistance, income security, direct trade and credit provision, etc. Many studies found also an improved level of education, the preservation of indigenous cultures and other social benefits.

Apart from these direct impacts there is a wide range of spill-over effects and indirect impacts to non-Fair Trade producers. The presence of Fair Trade intermediaries can bring changes in weighing practices and price information which ultimately benefits all producers in the area. The organisation of producers helps to break monopolies on prices and transportation.

Institutions that carried out Fair Trade impact assessments are DFID (Department for International Development, UK), the Colorado State University, the Sussex University, the World Bank, the International Institute for Environment and Development, etc.. Information on the impact of Fair Trade can be found in Nicholls and Opal: Fair Trade. Market-driven Ethical Consumption, SAGE publications, 2005, on www.fairtrade.net and on www.fairtraderesource.org

ANNEX 3

FIFTY YEARS OF FAIR TRADE

A brief history of the FAIR TRADE movement

The Fair Trade movement today is a global movement. Over a million small-scale producers and workers are organized in as many as 3,000 grassroots organisations and their umbrella structures in over 50 countries in the South. Their products are sold in thousands of specialised shops, so-called Worldshops, supermarkets and many other sales points in the North and, increasingly, in sales outlets in developing countries. The sale of products always went alongside with information on the production, producers and their conditions of living. Thus, the Fair Trade movement has played a pioneering role in raising the awareness of European consumers about the social, economic and environmental conditions of production in developing countries.

Where did it all begin?

The earliest traces of Fair Trade in Europe date from the late 1950s when Oxfam UK started to sell crafts made by Chinese refugees in Oxfam shops. In 1967, the first importing organisation was established in the Netherlands, followed by the opening of the first “Third World Shop” in 1969. Worldshops (or Fair Trade shops as they are called in other parts in the world) have played a crucial role in the Fair Trade movement. They constitute not only points of sales but are also very active in campaigning and awareness rising.

During the 1960s and 1970s, Non-Governmental Organisations (NGOs) and socially motivated individuals in many countries in Asia, Africa, and Latin America perceived the need for fair marketing organisations, which would provide advice, assistance and support to disadvantaged producers. Many such Southern Fair Trade Organisations were established and links were made with the new Fair Trade Organisations in the North. These relationships were based on partnership, dialogue, transparency and respect. The goal was greater equity in international trade.

Parallel to this citizen movement, the developing countries were addressing international political forums such as the second UNCTAD conference (United Nations Conference on Trade and Development) in Delhi in 1968, to communicate the message “Trade not Aid”. This approach put the emphasis on the establishment of equitable trade relations with developing countries, instead of returning a small part of the wealth acquired in the North in the form of development aid.

Crafts and food

At the beginning, Fair Trade Organisations traded mostly with handicrafts producers, mainly

because of their contacts with missionaries. Often, crafts provide “supplementary income” to families. Most of the Northern Fair Trade Organisations focused on buying these crafts and sold them through Worldshops. In 1973, the first “fairly traded” coffee was imported to Europe from cooperatives of small farmers in Guatemala. After coffee, the food range was expanded and it now includes products like tea, cocoa, sugar, tea, wine, fruit juices, nuts, spices, rice, etc. Food products enabled Fair Trade Organisations to open new market channels, such as institutional market, supermarkets, and organic shops.

Going mainstream through Fair Trade labelling

In the 1980s, a new way of reaching the broad public was developed. Products bought, traded and sold respecting Fair Trade conditions would qualify for a label that would make them stand out among ordinary products on store shelves, and would allow any company to get involved in Fair Trade. In 1988, the “Max Havelaar” label was established in The Netherlands. The concept caught on: within a year, coffee with the label had a market share of almost three percent.

In the ensuing years, similar non-profit Fair Trade labelling organisations were set up in other European countries and in North America. In 1997, the worldwide association, Fairtrade Labelling Organizations International, was created. FLO is now responsible for setting international Fair trade standards, for certifying production and auditing trade according to these standards and for the labelling of products. Additional to food and food products, FLO has developed standards for flowers, seed cotton and sports balls. Fair Trade labelling indeed has helped Fair Trade to go into mainstream business. Currently, over two-thirds of Fair Trade products are sold by mainstream catering and retailing.

Parallel to the development of the labelling for products, IFAT, the international Fair Trade association with 270 members in 61 countries throughout the world has developed standards and a monitoring system for Fair Trade Organisations.

5.5.2006

OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE

for the Committee on Development

on Fair Trade and development
(2005/2245(INI))

Draftsman: Jörg Leichtfried

SUGGESTIONS

The Committee on International Trade calls on the Committee on Development, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Calls on the Commission to take action, in accordance with GATT Article XXXVIII, paragraph 2, letter (a), 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";
2. Recalls that one of the conditions for fair trade is free entrepreneurship and open markets, and notes that a free and fair multilateral trading system is beneficial and indeed necessary for the development of poor countries;
3. Recalls that European trade policies must improve market access for small producers in the South;
4. 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 products on which a low VAT rate would be levied should be closely monitored in order to avoid abuse;
5. Notes that Europe is the biggest market for Fair Trade products with an estimated 60% to 70 % of global sales and has the potential for further growth;
6. 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 of the European countries;
7. Calls on the Commission to support trade mechanisms that allow producers, where

feasible, to be involved and participate in price determination;

8. Recalls that the establishment of a free and fair multilateral trading system constitutes the best tool to achieve an effective management of globalisation for the benefit of all; moreover, the Fair Trade system proves to be an important tool for poverty reduction and sustainable development and believes that, in the long term, it could facilitate an equitable participation of developing countries in the multilateral trading system, guarantee them stable and sustainable access to the European market and raise consumer awareness;
9. Regrets that some producers of Fair Trade certified goods do not enjoy rights of association; considers that core labour standards are intrinsic to the notion of Fair Trade and should be considered as part of the certification process with regard to workers in both the EU and developing countries;
10. 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 identify the obstacles to trade which impact most seriously on the world's poor;
11. Recognises the benefits to producers and consumers of a single identifiable Fairtrade certification mark, as already in place;
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 establish a "code of conduct" that lays down clear guidelines as to what requirements are necessary for a product to be labelled "Fair Trade";
14. Calls on the Commission to coordinate Fair Trade related activities between the relevant services within the Commission;
15. Calls on the Commission to launch specific "calls for proposals" with objectives targeted to Fair Trade in order to raise consumer awareness, support assurance schemes and labelling, as well as systematic data collection and assessment of effects across the EU;
16. Calls on the Commission to promote educational programmes to raise awareness of the merits of Fair Trade across the EU;
17. Recalls that public-law regional authorities in particular make major investments in the product market; consequently calls on these bodies, in their calls for tender, to give special consideration to Fair Trade products.

PROCEDURE

Title	Fair Trade and development
Procedure number	2005/2245(INI)
Committee responsible	DEVE
Opinion by Date announced in plenary	INTA 15.12.2005
Enhanced cooperation – date announced in plenary	
Drafts(wo)man Date appointed	Jörg Leichtfried 25.1.2005
Previous drafts(wo)man	
Discussed in committee	21.3.2006 19.4.2006
Date adopted	4.5.2006
Result of final vote	+: 20 -: 0: 1
Members present for the final vote	Francisco Assis, Jean-Pierre Audy, Daniel Caspary, Christofer Fjellner, Erika Mann, David Martin, Javier Moreno Sánchez, Georgios Papastamkos, Godelieve Quisthoudt-Rowohl, Tokia Saïfi, Peter Šťastný, Zbigniew Zaleski, Johan Van Hecke
Substitute(s) present for the final vote	Bastiaan Belder, Margrietus van den Berg, Danutė Budreikaitė, Filip Andrzej Kaczmarek, Jörg Leichtfried, Frithjof Schmidt, Jonas Sjöstedt, Mauro Zani
Substitute(s) under Rule 178(2) present for the final vote	
Comments (available in one language only)	...

PROCEDURE

Title	Fair Trade and Development
Procedure number	2005/2245(INI)
Committee responsible Date authorisation announced in plenary	DEVE 15.12.2005
Committee(s) asked for opinion(s) Date announced in plenary	INTA 15.12.2005
Not delivering opinion(s) Date of decision	
Enhanced cooperation Date announced in plenary	
Rapporteur(s) Date appointed	Frithjof Schmidt 5.10.2005
Previous rapporteur(s)	
Discussed in committee	21.3.2006 25.4.2006
Date adopted	30.5.2006
Result of final vote	+ 21 - 0 0 1
Members present for the final vote	Margrete Auken, Margrietus van den Berg, Danutė Budreikaitė, Marie-Arlette Carlotti, Thierry Cornillet, Michael Gahler, H��l��ne Goudin, Glenys Kinnock, Gay Mitchell, Luisa Morgantini, Jos�� Javier Pom��s Ruiz, Horst Posdorf, Frithjof Schmidt, J��rgen Schr��der, Felekna Uca and Mauro Zani.
Substitute(s) present for the final vote	Milan Ga��a, Alain Hutchinson, Linda McAvan, Manolis Mavrommatis, Zbigniew Zaleski and Gabriele Zimmer.
Substitute(s) under Rule 178(2) present for the final vote	
Date tabled	6.6.2006
Comments (available in one language only)	