

The Fair Trade Agenda

Speech by Peter Mandelson at the PES Conference on Fair Trade, European Parliament, Brussels, 22 June 2005

Summary

Mandelson: "the EU will not push for tariff cuts for weak and vulnerable countries as part of the Doha Round".

EU Trade Commissioner Peter Mandelson welcomes the success of Fair Trade. He says: "Fair Trade teaches us that consumers are not condemned to be only bargain-hunters... Fair Trade reminds us that trade is about people, their livelihoods, their families, sometimes their survival."

Commissioner Mandelson puts the Fair Trade movement into the broader context of the Doha round, arguing that a commitment to fair trade means shaping the Doha Round in a way that reflects the vulnerability of developing countries:

"The EU has set a clear pro development and progressive liberalisation agenda for the multilateral round: the EU will not push for tariff cuts for weak and vulnerable countries as part of the Doha Round. As regards market access for goods and services, we will allow Developing Countries to open sensitive sectors at a pace determined by their capacity and their development needs. I have called for WTO negotiators to reach early agreement on the exact form such special and differential treatment may take. On cotton, I proposed accelerated Doha Round agreements on reducing support for cotton producers in the richer industrialised countries and fair rules for African producers."

"Fair trade is one of the key tools both to enhance sustainable development and to fight poverty". I fully subscribe to this statement of the International Fair Trade Movement. Fair Trade has shown that those working in difficult conditions in commodity-dependent and poor developing countries can aspire to a better life for themselves and their families. If today world leaders are focussing on the unacceptable poverty that still scars the lives of hundreds of millions, you can take some credit for that interest. Not every consumer looks at the supermarket shelf and wonders which coffee will do most to make the world a better place. But many do. I don't think it an exaggeration to say that it's largely thanks to the voluntary initiative, commitment and enthusiasm of the Fair Trade movement.

Fair Trade teaches us that consumers are not condemned to be only bargain-hunters. The healthy, sometimes startling, growth of Fair Trade product sales in many EU countries shows that consumers do take account of considerations about conditions of production. The reaction of large retailers and corporate interests shows that they too are sensitive - supremely sensitive - to this dimension of consumer behaviour. Fair Trade has set an

agenda and has raised our awareness - a factor which no serious player can afford to ignore. This is quite an achievement.

But what lessons can be drawn from Fair Trade for policy making - and that puts me on the spot.

The key lesson is that trade is not just about the dismal science of economics: it is especially not about saying that the laws of comparative advantage ensure that trade is at all times, in all cases, to the benefit of all. Trade is about people, their livelihoods, their families, sometimes their survival: Fair Trade reminds us of that strongly, and I am happy to continue the dialogue that Fair Trade movement has opened with me. It's good for me to be reminded of that.

Alternative trade structures bring real benefits to participating producers. But it would in my view be wrong to jump to the opposite conclusion that conventional trade is automatically exploitative, unfair and wrong. I said earlier that trade policy is not just economics. But when you look at a commodity like coffee it's clear that downplaying economics does not allow you in some way to suspend the laws of economics. If coffee prices rise, desperately poor people will plant coffee bushes. Three years later there will be too much coffee and prices will fall. The only part of that process which we have a chance of stopping today is the existence of desperate poverty - not the cyclical rise and fall of prices. Fair trade takes the direct route to a better tomorrow by offering price guarantees, and much besides. But for the Fair Trade solution to be a global solution we would have to ensure that only Fair Trade coffee was sold. Let me tell you one thing: powerful as the Commissioner for Trade is, some things are still beyond my powers!

The trade policy I pursue takes the slower route: working with the grain of economics to get to the heart of the problems by eliminating poverty. Trade policy is about using trade to make poverty history. Colonially-directed terms of trade may have contributed to impoverishment in the past. Trade opening - making use of comparative advantages in a global context - has worked in the recent past to lift hundreds of millions out of poverty. The fact that not all have been so lifted means that we have to do more.

In trade policy, we pursue a variety of routes to contribute to poverty reduction and global justice. First, there is the important multilateral agenda in the WTO. The current multilateral round of negotiations, the Doha Development Agenda, is in my view the most important tool to spread benefits from trade liberalisation more evenly among all trading partners, including the Developing Countries. I want this round to be a success, and I want to use it to bring Developing Countries closer to the world trading system in order that they can benefit from it.

The EU has set a clear pro development and progressive liberalisation agenda for the multilateral round: The EU will not push for tariff cuts for weak and vulnerable countries as part of the Doha Round. As regards market access for goods and services, we will allow Developing Countries to open sensitive sectors at a pace determined by their capacity and their development needs. I have called for WTO negotiators to reach early

agreement on the exact form such special and differential treatment may take. On cotton, I proposed accelerated Doha Round agreements on reducing support for cotton producers in the richer industrialised countries and fair rules for African producers.

Second, as far as the bilateral agenda is concerned, the EU is reviewing its rules of origin to make them more development friendly and to help Developing Countries to exploit market access to the EU. The Commission has called on the G8 to provide much higher levels of trade development assistance and will contribute to this. We have also suggested that all other developed countries extend quota and tariff free access to all least-developed countries as the EU does under its Everything But Arms preferential access scheme.

Third, as far as ongoing negotiations are concerned, I am ready to explore with our trading partners the potential for including in agreements specific incentives targeted at improving market access for fair trade products. The Economic Partnership Agreements are a good test case for this since the promotion of Fair Trade is already included in the Cotonou Agreement.

With regard to our future fair trade policy agenda, I will not present you a "Fair Trade Action Plan" here and now. But I would like us to engage in a debate both within the different services in the Commission - because this goes far beyond trade policy and DG Trade only - and between the COM and the Fair Trade Movement to jointly describe how we act more coherently.

I see several issues for this future debate: First, we need to assess whether we need a Fair Trade standard. The Fair Trade movement has done a good job in organising itself with the Fair Trade Organisation mark and the Fair Trade Labelling Organisations International mark. I also appreciate the various genuine efforts being made by mainstream retailers and other independent certifiers to offer consumers assurance on supply chain conditions. I can not tell European consumers which label is the right one and how they should spend their money.

Second, we should look at possibilities to foster Fair Trade in our procurement laws. I do not know at this stage to what extent this will prove possible, but I can assure that I want a discussion about its feasibility.

Third, we need a single contact point in the Commission on Fair Trade. This is key if we are to act more coherently in the future.

I am sure that this list is only the beginning and I come with open ears to explore further our Fair Trade agenda in a discussion with you today.