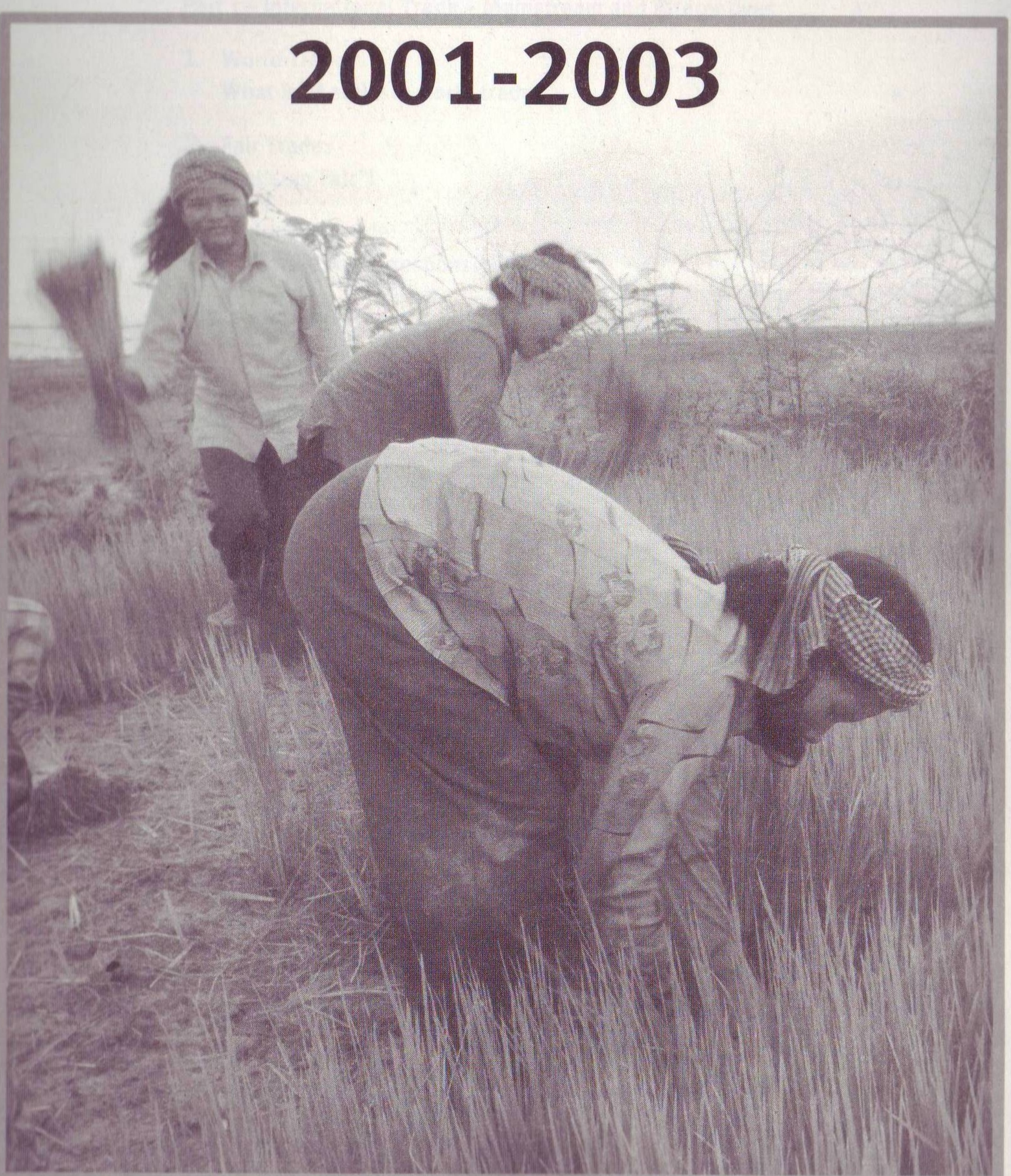
Fair Trade Yearbook

Challenges of Fair Trade

2001-2003



EUROPEAN FAIR TRADE ASSOCIATION
EFTA

The Fair Trade Yearbook "Challenges of Fair Trade 2001-2003" is a publication of the European Fair Trade Association (EFTA), an alliance of 12 Fair Trade organisations in nine European countries. Through Fair Trade, the EFTA importers provide direct support to producer organisations in the South.

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Preface

Seattle, Prague, Porto Alegre, Gothenburg, Genova, Doha...
Since the last publication of the Fair Trade yearbook some 4 years ago world trade issues have hit the main news programmes and the front pages. During this time it has become clear that the incredible dynamics of globalisation processes, together with increasing social and economic inequalities and the ongoing destruction of the environment, have led us to a turning point. We urgently need a new vision for a responsible and sustainable economy - and for a world trade system that meets the same demands as well.

Such a vision is the model of the European Fair Trade Association (EFTA), a federation of 12 Fair Trade organisations in nine European countries. With their experience of several decades in the field of importing fairly traded goods, they can be called pioneers of Fair Trade in Europe. They have been instrumental in the trend whereby more and more consumers are considering the ethical aspects, as well as the ecological aspects, of their purchasing decisions. Fairly traded products of high quality are not only available in more than 3,000 world shops, but also in an increasing number of supermarkets in many European countries. Turnover in the Fair Trade sector has been rising year after year.
The EFTA members are in contact with more than 700 producing partners overseas. Through their lobby work at a European as well as a national level, the EFTA members wish to voice their partners' interests. On the one hand, there is abundant, reliable information available on the 'unfair' aspects of conventional trade between North and South; on the other hand, there are the positive examples and initiatives of Fair Trade. The interested reader will find both in this third Fair Trade Yearbook.
Part I describes the framework of international trade, provides information on the history, successes and demands of the Fair Trade movement, and shows how and why a growing number of corporations put efforts into living up to their social responsibility.
Part II invites the reader to a journey to Nicaragua (coffee), India (tea), afterwards to Ghana (cocoa), Mauritius (sugar), the Windward-Islands (bananas), Thailand (rice), to the Philippines (handicrafts), Kenya (tropical hardwoods) and last but not least to Honduras (cotton and textiles). So many products, so many stories, so many people behind these products!

This journey will bring us to places of despair (the all-time low of coffee prices is threatening the economic future of millions of small producers and workers), but more often to such places where new roads are being explored and where new international partnerships are the source of new hopes.

Two new developments will undoubtedly have a big influence on global trade debates in the years to come:

- *The September 11 incidents in New York have tragically shown that in a strongly interwoven world with increasing inequalities it is insufficient to build national security on military force and ever-new weapon systems alone. "Violence and fundamentalism can only be overcome through equal chances for everyone" writes Canadian author and globalisation critic Naomi Klein.*
- *On November 14th, 2001, the WTO Ministerial Conference in Doha/Qatar agreed to start a new round of international trade negotiations aiming at reducing tariffs, subsidies and trade barriers in January 2002. Although a few concessions were made to the poorest countries (especially as to the production of cheaper medicines), many points of importance to the South did not find their way into the final document. In order to make sure that real progress towards more equality between the rich and the poor is made during the upcoming round, it will be important, that the forces of civil society get actively involved in shaping that process.*

Against this background Fair Trade organisations, together with tens of thousands of committed people all over Europe, will have enough work to be done in the years to come - work consisting of contributing to a more just and environmentally-friendly global economy, where people matter more than profits.

Many dedicated people from Fair Trade organisations and non-governmental organisations have assisted with this book. Many thanks to all of them!

EFTA, December 2001

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1 What is At Stake in World Trade

René De Schutter

What happened in Seattle in November 1999 may be viewed as a striking summary of the state of world trade and of what is at stake on the international scene. The Seattle conference was like one of those good old classic plays with its setting, its time, and its place.

The place is the world, or the system-world, which is recovering from a financial crisis that has shaken the most profoundly held official certainties. For years, we had heard praise of the Asian model. It was usually being held up as a model for the so-called Third World, but was

also surreptitiously recommended to industrialised countries if they were to withstand the threat of the NICs (the New Industrialised Countries). But the model collapsed in 1997-1998, when the authorities suddenly had to admit that the Asian "tigers" were plagued by bribery, nepotism andspeculation, (as also was Russia and, later, Brazil).

In the wake of that crisis, the IMF and the World Bank, suddenly appeared in the eyes of the majority to be largely incompetent, almost medieval bodies. Having recently talked up the need for a new global financial structure, these organisations, now made a complete U-turn and began to preach the eradication of poverty, good governance, and the involvement of civil society. This sat rather uncomfortably with their recent role as money lenders of last resort for many corrupt governments, or as first-class "speculative players" like the LTMC. [1]

The choice of Seattle as the venue for the WTO inter-ministerial conference was also dramatic. Seattle is where Boeing and Microsoft have their registered offices (both companies were part of the reception committee), the perfect symbol for globalisation under American hegemony. While Boeing is the quintessential symbol of global air transport linking together the high-performance poles of the global economy, Microsoft symbolises information technology and the global computer network which is, in principle, open to all, but which, in reality, only a minority can afford. Paradoxically, it is that very same global computer network which made

How important is world trade?

The usual indicator of the economic activity of a country is the Gross Domestic Product.

Between 1950 and 1998, the global Gross Domestic Product (GDP) increased about six-fold, while exports increased 80 times in value (or in turnover), and almost 18 times in volume (i.e. without taking the prices into account). During the same period, the production of manufactured goods increased almost 168 times in value (i.e. in turnover: volume x price).

A regional approach is essential, because the data differ greatly from one region to another, and even from one country to another.

In 1998, the exports of the United States (goods and services) amounted to $931 billion, while their GDP amounted to $8,231 billion, which means that the exports accounted for 11% of the wealth produced that year in the United States.
The Canadian exports amounted to $167 billion, while its GDP amounted to $582 billion (i.e. 28% of the wealth produced).
For goods only (i.e. excluding services), North America (United States & Canada) accounted for 17% of the world trade in goods, but more than one third of these exports (35%) was traded between Canada and the United States and, if we add the European Union, 55% of exports were between highly industrialised countries.

In 1998, the exports of the 15 countries of the European Union (goods and services) accounted for $2,172 billion, and their GDP amounted to $8,346 billion (i.e. 26% of the wealth produced).

[1] *LTMC: speculative wealth management company of such importance that, in order to avoid its bankruptcy which would have triggered chain reactions, has been refloated by the American Treasury, the major international banks, etc.*

Top corporations have sales totalling more than the GDP of many countries

Country or corporation	*GDP or total sales ($ billions) in 1997*
General Motors	*164*
Thailand	*154*
Norway	*153*
Ford Motor	*147*
Mitsui & Co.	*145*
Saudi Arabia	*140*
Mitsubishi	*140*
Poland	*136*
Itochu	*136*
South Africa	*129*
Royal Dutch/Shell Group	*128*
Marubeni	*124*
Greece	*123*
Sumitomo	*119*
Exxon	*117*
Toyota Motor	*109*
Wal-Mart Stores	*105*
Malaysia	*98*
Israel	*98*
Columbia	*96*
Venezuela	*87*
Philippines	*82*

UNDP: Human Development Report 1999, p. 32.

" ... The foreign affiliates of multinational corporations accounted for an estimated $ 9,5 trillion in sales in 1997. Their value added was 7% of world GDP in 1997, up from 5% in the mid-1980s. Their share of world exports increased as well, from a quarter in the late 1980s to a third in 1995. "
(UNDP: Human Development Report 1999, p. 31).

" According to the figures given by Fortune and the World Bank, the share of the total sales of the world' s top 200 corporations in the global product amounted to 17% in 1960, 24% in 1984, and 31% in 1995. With the multinational networks they have developed, the gigantic corporations make or control between a half and two-third of the global production and of the international trade.
(Philippe Hugon in: Collectif Gemdev: Mondialisation. Les mots et les choses, Editions Karthala, Paris, 1999, p. 34).

it easier for civil society around the world to rally against the WTO.

The play acted, but not as intended. In theory there were 134 players:- the member government of the WTO. However, it soon became clear that two of the leading players - the US and the EU – had held private meetings, and that their disagreements were so fundamental as to eventually become a major cause of the failure of the conference. The other players, (the governments of the "other" countries), had little more than walk-on parts. They had to wait, and tired of the whole business, eventually deemed the play to have been a really bad one.

Simultaneously,there was the show on the streets - provided by trade unions, NGOs, churches and representatives of civil society. And, finally, there were - as in any good play – unseen people behind the scenes pulling the strings, the corporations with their national and international lobbies, who had prepared the session well, but who were unable to impose compromises because their respective opinions differed too much.

What should have been a great jamboree, and a grandiose ceremonial establishing the advent of a new global free trade era, was effectively transformed into a scrum in the green rooms[2], in the large theatres and lecture halls, as well as in the streets.

And that's precisely what international trade is:- a highly complex interplay of factors, involving dominant and dominated groups, ideological rhetoric, financial and commercial realities, states and companies, public opinion, and much else. World trade is, indeed, a scrum.

The discourse on international trade

Lester Thurow, one of the most fashionable American economists of the moment, wrote in The Fractures of Capitalism:

"For the first time in the history of Mankind, any kind of product can be manufactured anywhere in the world, and sold anywhere in the world. A capitalist economy means manufacturing where costs are the lowest, and selling where prices and profits are the highest. Minimum costs and maximum profit, that' s it; maximising profit lies at the core of capitalism. The sentimental affection for the country is no part of the system. "

Although chilling, Thurow's straightforward style has the merit of being frank. So if you hear discussion of your country's need to remain competitive in global markets, profit is always the underlying motive. But it is not states that are the main players in international trade, despite being regarded as such in international statistics, and within the WTO. States are merely the guarantors of corporate actions, their sales representatives in international diplomacy, and often their financing bodies as well.

The objective of world trade

World trade is often supposed to be a free-for-all. But that does not mean that we should disregard two important questions:

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2 *" Green rooms ", in WTO language, refers to the meeting and negotiation place where only the most important countries are invited.*

Major and minor collectors of trade taxes, 1990-96

While international trade may be important for some corporations in some countries, it is - in the current state of affairs - crucial for many developing countries. This is not because it is necessary to stimulate their economic growth, but because it accounts for a large share of their tax revenue, and because it is a major source of foreign currency, which enables them to buy goods they don't produce, and to pay their debt back.

Country	*Taxes on international trade as % of total government revenue*
Major collectors	
Lesotho	*54.8*
Madagascar	*47.2*
Mauritius	*40.6*
Dominican Republic	*40.4*
Lebanon	*40.2*
Minor collectors	
Lithuania	*3.6*
South Africa	*2.6*
Brazil	*1.6*
Singapore	*1.3*
Estonia	*1.2*

UNDP: Human Development Report 1999, p. 92

Foreign trade is not a major source of development, but wealth-creating capacities, existing in various forms within each country, certainly are. However, the development of such capacities is sometimes thwarted by the priority given to foreign trade. This is obviously the case when export crops are promoted at the cost of food crops, thereby threatening the people's food security and sovereignty.

The promotion of domestic development capacity is therefore essential. That is why countries must fight to safeguard sovereignty over their own resources - in the field of genetic biodiversity, in the fight against patentibility of life, and in all the other forms of intellectual property. It all comes down to limiting what we may call the commercial sphere, i.e. that which comes under trade laws and the WTO. We must keep not only the cultural sector out of that sphere, but also education, health, food security - thereby allowing states to implement their own cultural, social, economic, and agricultural policies.

- Is it possible to imagine world trade as a source of well-being for the peoples of the world (all peoples and all people)?
- If it is possible, what can we do to achieve it?

Providing useful answers to these questions needs a sharper analysis of the current state of world trade.

What are the characteristics of world trade?
To remove ambiguity, we must first define terms.

In its broadest sense, world trade refers to three different types of transaction:
• trade in goods, whether primary commodities or manufactured goods ;
• trade in services ;
• capital flows.

These three categories have evolved independently of each other and have different significance with regard to the fundamental questions posed above.

Trade in goods

Trade in goods has increased sharply in the last thirty years, and has risen at a much faster pace than production. This is especially true of manufactured goods. Primary commodities, which hitherto accounted for the lion's share of global trade, have consistently lost ground. Two factors explain this decline. On the one hand, industrialised countries have gradually reduced their dependence on the South, and on the other hand, there has been a simultaneous and continuous fall in prices of primary commodities. The so-called terms of trade[3] between North and South have steadily deteriorated.

Oil exports exemplify this downward trend. While they accounted for more than 20% of the value of world exports in 1973 (at the time of the first upsurge in oil prices), oil products only accounted for between seven and eight per cent at the time of the most recent upsurge.

About ten countries - the south-east "Asian tigers" - are largely responsible for the preponderance of manufactured goods in world trade,

Thus, we can see why it is often said that there is no longer one South or one Third World, but several groups of southern, or Third World, countries. The following are examples of such groupings:

The oil producing countries, or at least the countries that are heavily dependent on oil in terms of resources and activities. This includes most Middle Eastern countries. The situation is more complex for countries such as Venezuela, Mexico and Algeria considering the preponderance in their populations of the peasantry and of people who don't get their income - either directly or indirectly - from oil;

The newly industrialised countries (NIC), mainly Southeast Asian countries, where the sharp and sustained increase in manufactured exports has resulted in a very high economic growth rate;

The so-called ex-Eastern bloc countries where skilled manpower makes industrial redeployment possible;

The countries where some form of long-standing industrialisation has enabled them to reduce their over-dependence. This is mainly the case for South American countries, but also for India and South Africa.

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[3] *By 'terms of trade' economists mean the evolution of the respective values of global trade in the North and in the South, or in other words, the evolution of what the South can buy from (or sell to) the North for a set amount, compared in the course of time.*

Finally, the marginalised, extremely poor and often highly indebted countries that are still heavily dependent. These include most Sub-Saharan African countries, some Asian countries (like Afghanistan) and Latin American countries (like Bolivia and probably Peru).

Until 1995, trade liberalisation had been mainly concerned with trade in goods.

From Seattle to Brussels

Many NGOs from different EU member countries, from Switzerland, Slovakia and Turkey have signed the following text that was initially proposed by Oxfam-Solidarity and the Observatory on Globalisation.

We, members of civil society from various European countries, endorse the decision at the NGO-meeting in May 2000 in Brussels to take forward the resistance to corporate-led globalisation articulated in recent protests, such as in Seattle. We believe it is crucial to use this moment as an opportunity to change course and develop an alternative humane, democratically accountable and sustainable system of commerce that benefits all.

We fully endorse the "Boston Declaration - WTO: Shrink or Sink!" and commit ourselves to ensuring that these demands become central to trade policies in Europe.

We are deeply concerned that:

- *the European Union is driving an increasingly neo-liberal agenda with the push for a comprehensive new WTO trade round, despite the objection of the majority of WTO member states;*
- *from Leon Brittan to Pascal Lamy, the European Commission has been at the forefront of promoting this process internationally;*
- *this is an agenda driven and shaped by transnational corporations through such groupings as the Union of Industrial and Employers Confederations of Europe (UNICE) and the Transatlantic Business Dialogue (TABD) aided by an absence of transparency and democracy within European institutions;*
- *the European Commission attempts to control civil society input via incorrectly named 'dialogues'. These EC-controlled 'dialogues' seek only to discuss modalities for a new round rather than engaging in a broad and open public debate.*
- *this trade policy is opaque, unaccountable, and is being developed by EU bureaucrats without democratic control and is adversely affecting basic human rights and the environment;*
- *the secretive 133 Committee is at the core of EU trade policy;*
- *the European Commission attempts to extend its negotiating competence in the area of services, intellectual property, and investment in the context of the Intergovernmental Conference (IGC);*

In light of this, we do not view the EU institutions as partners but as targets. We will work at all levels to achieve a turnaround, from the present neo-liberal path, towards an alternative economic system that protects the basic rights of people and the environment.

Many NGOs from different EU member countries, from Switzerland, Slovakia and Turkey have signed this text that was initially proposed by Oxfam-Solidarity and the Observatory on Globalisation.

Trade in services

The service sector is a very large one which includes more than 160 different activities: from banking to health care, hairdressing, education, finance, etc.
The average growth in foreign trade has not been as fast in the service sector as in the trade in goods. This is due partly to the nature of these activities - proximity often playing a key role - and partly to the fact that the cross-border transfers of many services take place within the same transnational corporation and so do not appear in identifiable form in the statistics.

The service sector is the likely target for the most radical free trade proponents in the international institutions. It is, in fact, in this sector that profit margins are the biggest, since trade in services has, hitherto, been much less open to foreign competition than trade in goods.

Financial flows

Financial flows are the purely financial international capital transfers. Many of these international transfers are highly speculative in nature: payments for real cross-border transactions in goods or services account only for between five and ten percent of financial transfers. The sector is wide open to free movement since only a few countries still have any sort of exchange control.

Foreign direct investments - i.e. foreign (multinational) corporations buying out part or all of the shares of national companies or setting up affiliates - are also, of course, part of the financial flows.

Financial speculation has a devastating impact on the economy of all countries. It works as a magnet, or hoover.An apparent rule in the world of the speculator is that yields must reach at least 15%. Such a level induces anybody with liquid assets to invest them in speculation, thus diverting funds from really productive investments. Moreover, short-term investments are prioritised as it is essential to have as much money as possible at hand at any time. Considering the sky-high profit reaped by some transactions, the speculative fever soon seizes individuals as well, which is once again detrimental to the 'real' economy. In Southern countries, where some level of development has been achieved, mechanisms such as stock exchanges are being set up in order to attract foreign capital (sometimes with sky-high rates, such as up to 77% in Russia). The invested capital, however, is highly volatile, and whenever a rumour spreads, it quickly migrates elsewhere (as it did in SE Asia in1997).

High geographical and intra-sector concentration

Below, we outline three characteristics of world trade:
• Most world trade - whatever the transaction - is carried out among developed countries. While developing countries account for 30% of the trade in goods, they account for much less in services and even less in financial flow. This reflects the divide between rich and poor countries.

• The trade relationships between North and South have changed radically in the last twenty years. Not only have the terms of trade undergone devastating deterioration but the North doesn't seem to need the South any more. With the exception of oil – and it has to be ques-

tioned whether the major oil producing countries are still part of the Third World - only a few minerals remain that are unlikely to be replaced by substitutes. Furthermore, most mines are now owned by northern multinational corporations.

• The share of multinational corporations (with registered offices in the North) in global trade is growing steadily. It is estimated that their global activity accounts for almost one third of the trade in goods or services.

In Third World countries, the main source of development lies in the informal sector. This sector, characterised by the formidable creativity of civil societies in the South, has few connections with global trade.

Free trade - "Sweet" words, harsh reality

The proponents of free trade argue that there is no other way for countries to achieve prosperity.
This, of course, needs time and poor people must, in the mean time, be taken care of (cf. the brand new emphasis of the IMF and the World Bank on prioritising the eradication of poverty). "We are going to prioritise the fight against poverty in our conditionalities and we are going to offer not only debt remission but also rescheduling to poor countries so as to allow them to join us in the great jamboree of free trade globalisation".

The aim is clearly to have free trade accepted as the new global constitution.

Renato Ruggiero, the ex-WTO director-general, said: "We are now writing the constitution of the global economy". He could have added "neo-liberal".

According to Stephen Gill, from the University of York in Canada, this new constitutionalism aims to establish the supremacy of the major global corporate players in the political arena.
"The key concern of the globalised elite is to strengthen global economic governance through proactively striving to transform and strengthen the State as the guarantor of a stable environment for globalised capital. Capital perpetuation must be protected and guaranteed at global level... The liberal reforms concerning macroeconomic stability, as well as the protection of property rights and capital mobility must be politically and legally secured. " (Stephen Gill, in: L'Economie politique, quarterly review, Paris, 1999, nr. 2).

But the reality of free trade is different. As Eduardo Galeano put it:
"The division of labour among nations - resulting from the theory of comparative advantage - actually consists in the specialisation of countries: in "victory" for some, in "defeat" for others."
And according to the French sociologist and political expert Robert Fossaert, "besides political dependence which is always conspicuous, there is also economic dependence, often masked by the apparent egalitarianism of trade, as if all the countries had equal currencies, equally powerful banks, and equally productive factories: the uneven development of economic structures is converted by the world market into captures of stocks, chronic debt burdens, unfair trade and other imperialistic effects that may be less conspicuous than those of colonialism, but of which the powerful driving force is accumulation at global level. " (Robert

Fossaert, L'avenir du socialisme. Editions Stock, Paris, 1996, p. 144).

We know the devastating effects of free trade:
"The top fifth of the world's people in the richest countries enjoy 82% of the expanding export trade and 68% of foreign direct investment - the bottom fifth, barely more than 1% ". (UNDP, Human Development Report, 1999, p. 31)

Mainspring and means of action

Clearly, at the moment, things are upside down. Faced with how the multinational corporations, the proponents of liberalism, would like the world to be we must put things the right way up again. We must strive for the preliminary compliance with a series of principles, and subordinate the implementation of free trade mechanisms to their compliance with these prerequisites. That is exactly the opposite of what the WTO, the IMF, and the WB are advocating.
They say: "apply free trade and the rest will be granted to you as an extra".
We say: "let's respect a series of principles first and see to it that free trade is consistent with them".

Today these principles are shared by many people and organisations around the world. They are (in no particular order):

What is at Stake in World Trade

Human Rights
Environment and Sustainable Economy
Democratic subsidiarity
Social equity & basic needs

Respect | Areas of action striving to enforce respect | Non-respect

Formal	Actual	Positive Actions	Self-imposed actions	Conditionality	Formal condemnations and negative sanctions	Interference
ex. national laws in force	ex. Is there really no child worker? Importance of information, therefore of civil societies and of the global network of civil societies	• Social priorities (ex. in public procurement) • Generalised System of Preferences (GSP) • Social or ecological label • Targeted budgetary aids • Fair Trade • Ethical financing and other alternative actions	• Codes of good conduct • Social, ethical, environmental, etc. standards • Conventions (ex. Human Rights of Strasbourg)	• Refused aid • Selective aid As a reminder: • Microeconomic • Macroeconomic • Democratic • Social (social clause) conditionality	• Moral reproof • Formal reproof • Legal action • Embargo • Blockade • Trade retaliatory measures	• De facto • Formal

Respect for the human rights in all its aspects - including the economic, political and social rights, the right to development, ILO social rights, etc.

A sustainable economy – which protects the interests of future generations, and involves the right to the precautionary principle.

Grassroots democracy - application of the principle of subsidiarity to democracy ("what can be decided at grassroots level should not be decided at the top"), which involves the principle of the independence of the sovereignty of peoples and nations.

Social equity - disparities among and within nations always give rise to an accumulation mechanism that makes the rich richer and the poor poorer. Social equity at global level involves meeting everybody's basic needs.

The actions necessary to achieve these objectives are numerous and varied. There follows an outline of possible courses of action.

A different combination of objectives for each category of trade

We can use some of these ideas to address the questions posed earlier: Firstly, is it possible to imagine world trade as a source of well-being for all peoples? And for all the people of all peoples?

If we want to think in concrete terms, we must go back to the distinction we have made between the three types of transaction:

- **Trade in goods.** The subdivision into primary commodities and manufactured goods is relevant here, especially in the case of foodstuffs. The principle of the peoples' right to produce their own food is fundamental: the right to food security is not negotiable. That is why we should either take agriculture out of the scope of the WTO, or we should introduce into it the principle (and implementation) of the food sovereignty. In this respect, it is clear that the alliance between progressive farmers and supporters of the Third World makes a strategic link and that solidarity NGO's and southern NGO's have an essential role to play, notably through Fair Trade. The fights waged about food aid against the intervention of multinational corporations (eg Nestlé), the patentability of life, and the issue of biodiversity are also highly relevant here. It is also clear that we stand at a crossroads where sovereignty rights, basic needs and a sustainable economy meet. As far as primary commodities are concerned, we should also adopt the proposals of UNCTAD concerning the stability of primary commodity prices.

  The issue of the trade in manufactured goods (and in non-food primary commodities) should be stated in somewhat different terms. We hope that developing countries will, eventually, become industrialised and will be able to export. This requires some form of free trade. But the industrialisation of developing countries is not possible if they are "invaded" by low price products from the North. That's why they also need a sufficiently strong form of "national sovereignty", or even of national preferences. Anything resembling the MAI (the fortunately scrapped Multilateral Agreement on Investments) must therefore be rejected.
  The South also has needs for the following:

technology transfer (which may well lead to disputes about intellectual property rights),
financial support (public development aid and aid to fair trade),
compliance with some social and environmental standards or social labels,
codes of good conduct,
some forms of non-protectionist social clauses,
the will to leave the State's control of the public market,
some serious support to education and training.

Here again we can see that advocating unrestricted free trade or rejecting it indiscriminatingly are not solutions. Human progress can only be achieved through a combination of objectives.

- **Trade in services.** This issue is somewhat different since a considerable number of services should never be considered as part of the commercial sphere. We believe that health care, education, and culture, are areas that should, in any case, remain outside the scope of trade. That is why we make no mention of free trade for this sector. We speak, instead, of voluntary free movements regulated by solidarity rules instead of by prices or competition rules.

- **Financial flows.** Most of these flows are speculative in nature. This sector should be completely cleaned up. In the present situation, financial flows pose a serious threat, not only because they impose their own conditions on real economies and states, but also because they jeopardise employment and the well-being of whole nations. That is why we must:
  allow the control of capital flow at national level
  fight against tax havens
  introduce a tax such as the Tobin Tax [4]. We should also bear in mind that speculators have "attacked" many primary commodities, (oil being a recent example). The impact of these attacks on the prices has been obvious.

To allow the proponents of free trade do as they like is, therefore, out of the question. Many areas of activity are not "free tradable", and states must retain control of a whole series of other activities. It is essential that civil society takes action.

Multiple stakes

For multinational corporations, what is at stake in world trade is the creation of the largest possible space for the free trade of their activity:
As Lester Thurow wrote: "manufacturing where costs are the lowest, and selling where prices and profits are the highest". But for the peoples in developing countries, the key concern remains the control of their own future. Today, more than ever, it is essential to prioritise the populations' control of the space where they live, by subordinating to their control the use that foreign interests make of this space. The modes of this control can vary according to history and context, and it may even tolerate some form of appropriate free trade.

[4] *James Tobin, winner of the Nobel Prize for Economy, proposed in 1972 a tax on cross-border currency transactions. This very slight tax is aimed at discouraging speculation as it must be paid each time there is a cross-border movement.*

In any case, equality will always be our main and most important objective, and we will always strive, as the Italian trade union leader Vittorio Foa put it, to reduce "the increasing dualism in our societies, in our world, between those who notice the irreversible character of their lower condition and those who rationalise their social and economic superiority as some established right." (Vittorio Foa, Il cavallo e la torre, Einaudi, 1991).

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"Let's go Fair"! [1]

2

Bríd Bowen

"Trade is neither inherently good nor bad. But how it is conducted is a matter of great concern - and an unprecedented opportunity. Trade can either contribute to the process of sustainable development or undermine it. Given the rapidly accelerating destruction of the earth's natural resource base, there is no question what the choice must be"[2].
"For Fair Trade Organisations, the choice is simple. Whether trade is good for producers and consumers depends entirely on how the goods are made and how they are sold. Fair Trade ... demonstrates that trade can indeed be a vehicle for sustainable development"[3].

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[1] *"Lets go Fair" - the name of an awareness-raising campaign launched by Déclaration de Berne and Terre des Hommes in Switzerland in 1997.*

[2] *Hilary French in "Costly Tradeoffs: Reconciling Trade and the Environment", quoted in "Why Fair Trade", Fair Trade Federation, 1996, on http://www.fairtrade federation.com/ab_whyft.html*

[3] *"Why Fair Trade", Fair Trade Federation opcit.*

Fair Trade - A Positive Alternative

The unprecedented increase in international trade of goods and services over the last fifty years has resulted in considerable growth in income for a large number of people in many countries, North and South. "International trade flows have tripled in the last twenty years, but the benefits of this trade are unequally shared. The 48 least-developed countries (LDCs) home to 10 per cent of the world's citizens, have seen their share of world exports decline to

Over Fifty Years of Fair Trade

The Americans were first with Ten Thousand Villages (formerly the Mennonite Central Committee Self Help Crafts) and SERRV (now SERRV International) beginning to trade with poor communities in the South in the late 1940s. The earliest traces of Fair Trade in Europe date from the late 1950s when the Oxfam UK director, visiting Hong Kong, had the idea to sell crafts made by Chinese refugees in Oxfam shops - the first product was a stuffed pin cushion. In 1964 Oxfam created the first Alternative Trading Organisation (ATO). Parallel initiatives were taking place in the Netherlands and in 1967 the importing organisation, S.O.S. Wereldhandel, now known as Fair Trade Organisatie, was established. At the same time, Dutch third world groups began to sell cane sugar with the message "By buying cane sugar, you ...give poor countries a place in the sun of prosperity". These groups went on to sell handicrafts from the South, and in 1969 the first Fair Trade shop opened. Parallel to this citizen movement, the developing countries were exploiting international political fora 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 the South, instead of seeing the North appropriate all the benefits and only returning a small part of these benefits in the form of development aid".[4]

Fair Trade expanded dramatically. Fair Trade importing organisations were established in several European countries and now number approximately 100 in 18 European countries (Fair Trade importing organisations also exist in Australia, Canada, Japan and the US). Importing organisations purchase products directly from southern producer partners and sell through a variety of channels including Fair Trade shops or World Shops, solidarity groups, mail order catalogues, voluntary representatives of the organisation, organic shops, local markets and, increasingly, institutional outlets (canteens, businesses, public authority offices etc.).

EFTA (the European Fair Trade Association) was established in 1990. It represents 12 Fair Trade importing organisations in 9 European countries (8 in the EU and 1 in Switzerland). It represents by far the most significant part of all Fair Trade imports into Europe[5].

From the 1970s onwards, Fair Trade shops began to spring up all over Europe. The Network of

[4] *Marc Bontemps, General Secretary Oxfam - Wereldwinkels VZW, cited in Nouvelles de Triodos, Summer 1998. This approach of "Trade not Aid" has recently given way to a new slogan of "Trade and Aid" which emphasises that development aid is still a very necessary element in assisting developing countries advance, in addition to major reforms of the international trading system.*

[5] *According to the Survey Fair Trade in Europe 2001, Facts and Figures on the Fair Trade sector in 18 European Countries, EFTA, January 2001, the turnover of the 12 EFTA member organisations totalled 100 million euros. The total turnover of the 32 importing organisations which participated in the survey was 120 million euros. This would imply that the turnover of EFTA members is approximately 83% of total Fair Trade imports into Europe, but given the non -participation in the survey of many smaller importing organisation, we can more cautiously say that imports of the EFTA members represent well over 60 % of Fair Trade imports into Europe.*

a tiny 0.4 per cent over the past two decades. In comparison, the US and EU contain roughly the same number of people, yet account for nearly 50% of world exports"[6]. The tendency towards unbridled globalisation and market liberalisation, particularly in these last 20 odd years, has also wreaked havoc on the lives of the poorest people throughout the world. "From around the world, we hear heart-wrenching stories about mistreated and abused workers who earn meager wages. Or worse, we hear about millions of children sold into servitude or forced

European World Shops (NEWS!) was established in 1994 and represents approximately 2700 shops in 15 national associations present in 13 European countries (12 of which are in the EU, with Switzerland making 13). In 1989 the International Federation for Alternative Trade (IFAT) was established, bringing together producer groups, Alternative Trade Organisations and other Fair Trade operators from Africa, Asia, Australia, Europe, Japan and North and South America. IFAT has 148 members in 48 countries. The objectives of the importing organisations, shops and solidarity groups are to sell Fair Trade products, to raise awareness of the deplorable conditions of production and trade facing producers in the South (and sometimes in the North), and to campaign for their improvement.

Until the mid-1980s the Fair Trade movement traded mostly in an alternative trade circuit of those committed to equity between the North and South. Thereafter, Fair Trade began to also exploit mainstream channels - focusing on wholesaling to institutional outlets. This trend continued in 1988 with the establishment of the first Fair Trade label in the Netherlands - Max Havelaar. Following the creation of the Max Havelaar label, other labels such as TransFair International (co-founded by EFTA), the Fair Trade Foundation, Reilun Kaupan and Rättvisemärkt were also established. Labelling organisations are generally broad coalitions of concerned organisations (development or environmental NGOs, church organisations, unions etc.) who commit themselves to promote the label and bring labelled products onto supermarket shelves. The labelling organisations offer commercial importers a register of monitored producer groups, a set of criteria as to how to do Fair Trade business and a label that distinguishes fairly traded products from others. Since April 1997 all Fair Trade labelling is co-ordinated by FLO - the International Fair Trade Labelling Organisation and exists in 14 European countries and also Canada, Japan and the US[7].

Fair Trade organisations now represent a small but significant alternative trade market of 0.01% of all global trade[8]. In Europe, Fair Trade products are sold through over 64,800 points of sale. The annual aggregate net retail value of Fair Trade products (labelled and non-labelled) sold in Europe through alternative channels and supermarkets exceeds 260 million euros (this is a minimum figure). Fair Trade organisations employ approximately 1250 people (full time equivalent posts). For certain products in specific countries there is an extremely high market penetration - Fair Trade bananas now represent a 15% of the Swiss market, while Fair Trade organic coffee represents 70% of the organic coffee market in Austria[9].

[6] *World Bank World Development Indicators 1998.*

[7] *For further information on EFTA, NEWS! IFAT and FLO see section of this chapter entitled "Trends and Perspectives for Fair Trade – European Dimension" and also the EFTA study, "Fair Trade in Europe 2001" op cit.*

[8] *Fair Trade Federation, opcit.*

[9] *For detailed information on Fair Trade trends at a European level and per country see " Fair Trade in Europe 2001", opcit.*

to work in unsafe conditions for pittance wages to contribute to their family's survival. Unfortunately, these stories are all too common in the new global economy where competitiveness and profits to stockholders are paramount, and poverty is rising. Increasing globalization, along with [...] government support for free-trade and investment agreements, are exacerbating three intractable problems that now plague almost every nation on earth: income inequalities, job losses and environmental damage"[10]. Through the awareness raising work of many NGOs (non-governmental organisations), Fair Trade organisations, trade unions, environmental movements, journalists and others, North and South, there are "many consumers in Western countries ... aware that the world's wealth is distributed in a very unequal manner, and that the products offered are much too cheap to ensure a decent living to producers in the developing countries. They would like to contribute to a change in this situation, but do not know how to go about it"[11]. It is precisely this widespread sense of impotence which, according to Pierre Calame[12] is the most threatening element (to change).

In the face of the enormity of global problems and this sense of individual impotence, Fair Trade offers to consumers, businesses, citizens and decision-makers a concrete, simple method to act to improve the situation of producers in the South. By purchasing a Fair Trade product, stocking and promoting Fair Trade product lines, consumers and businesses can play a significant role in improving the balance of global wealth and power in a simple day-to-day transaction. By joining awareness raising campaigns organised by Fair Trade organisations, citizens can pressure businesses to act responsibly towards all those who have a stake in their operations - from producers to consumers, thus ensuring socially, economically and environmentally sustainable production and trade. Through Fair Trade campaigns, citizens can also encourage political decision-makers to introduce measures in international legislation governing production and trade to ensure a more human-centred, equitable world trade order.

So what is Fair Trade?

The Fair Trade movement grew out of a decentralised, grassroots, citizens' movement and therefore, it is not surprising that there are many different definitions of what exactly "Fair Trade" constitutes. While many definitions exist, they all concur on the key principles which underlie this concept. Thus, in October 2001, the informal umbrella network "FINE" established one single definition of Fair Trade, accepted by all actors in the movement.
"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, marginalised producers and workers – especially in the South.
Fair Trade organisations (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.

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10 *"Why Fair Trade", Fair Trade Federation opcit.*

11 *Max Havelaar/TransFair quoted in « Commerce Equitable, Citoyenneté d' Entreprise et des Consommateurs - Etude sur les expériences européennes et leurs perspectives de développement », Solagral, June 1997.*

12 *Pierre Calame of the Charles Léopold Mayer Foundation for the Progress of Man in "Citoyens du Monde", quoted in "The EU-ACPCourier", European Commission, N° 164, July-August, 1997.*

The essence of Fair Trade: Fair Trade's strategic intent is:

- deliberately to work with marginalised producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency
- to empower producers and workers as stakeholders in their own organisations actively to play a wider role in the global arena to achieve greater equity in international trade[13].

The Fair Trade model offers a trading system whereby marginalised producers, traders and consumers share more equitably the gains from trade. In this way, Fair Trade aims to increase the income and choice of poor producer groups. More generally, Fair Trade aims to contribute to the alleviation of poverty in the South and to restore the dignity of its producer groups. The Fair Trade system builds on the producers' skills, thus enabling communities to play an active part in their own development. To achieve these goals, Fair Trade offers a protected market to marginalised producers, assisting them to build up the capacities and skills necessary to enter the mainstream export market.

The fundamental characteristic of Fair Trade is that of equal partnership and respect - partnership between the Southern producers and Northern importers, Fair Trade shops, labelling organisations and consumers. Fair Trade "humanises" the trade process - making the producer-consumer chain as short as possible so that consumers become aware of the culture, identity and conditions in which producers live. All actors are committed to the principle of Fair Trade, the need for transparency in their working relations and the importance of awareness-raising and advocacy work. The idea of the "invisible hand" has given way to the idea of working "hand in hand", the market is regulated by democratic authorities[14].

Thus, in a spirit of partnership, certain guiding principles, or criteria, are agreed by both sides. As a minimum, southern producers commit themselves to:

- democratic functioning and decision-making procedures within their organisations.

In return, Northern Fair Trade organisations agree to:

- provide direct access to the European market for producers' products, avoiding to the greatest extent possible middlemen and speculators;
- pay a fair price for the products that covers producers' basic needs and costs of production, and also leaves a margin for investment;
- pay part of the price (40-50%) in advance so that producers can purchase the necessary raw materials to complete an order without falling into debt;
- establish long-term working relationships and contracts with producers.

Added to these basic elements of the partnership, several other issues are usually agreed. The activity of the Southern partners must be sustainable (economically, environmentally and socially), must provide acceptable working conditions, and must contribute to the development of the community, creating jobs where possible. In the case of plantations or industrial

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[13] *FINE is an informal umbrella network established in 1998 in which representatives of the Fair Trade networks listed below meet to share information and coordinate activities.*
FLO-I: Fairtrade Labelling Organisation International
IFAT: International Federation for Alternative Trade
NEWS!: Network of European World Shops
EFTA: European Fair Trade Association

[14] *"The Social Economy and Fair Trade", Thomas Lemaigre and Pierre Verbeeren, Agence Alter and Université de Liège, 1997.*

production units, at least the core ILO (International Labour Organisation) standards must be respected[16]. Much emphasis is put on the fact that the development of an export product must not jeopardise local food security. Also, producers should seek to establish a balance

Women and Fair Trade - Successes and Challenges

There are many studies currently being undertaken concerning Fair Trade and gender. The results of these studies are mixed – some indicate that Fair Trade has a very positive effect on women within the movement, while others are less conclusive – indicating areas for further improvement. This remains a challenge for the movement.

The following account of Action Bag Handicrafts in Bangladesh exemplifies the positive effect of Fair Trade on women's groups[15]. Action Bag Handicrafts was set up in 1977 to provide income generation opportunities for women from minority groups who were discriminated against. It now employs around 60 people producing bags and hanging tidies. Oxfam Fair Trade has provided support in terms of feedback and advice; most importantly by funding a number of design consultancies. These allowed the development of new product lines and allowed the group to diversify their range from solely jute products into cotton. Oxfam's orders accounted for 26% of ABH turnover in 1997/98.

While essentially dependent on the Fair Trade sector (89% of sales), Action Bag has developed a pool of some 44 overseas buyers in Europe, North America, Australia and Japan, and has also developed sales in the local market.

ABH producers are selected giving priority to female heads of household, widows and divorcees with no land and low income. As well as employment and prompt payment, women benefit from access to training including adult literacy, rights, and nutrition and health courses.

In a recent Impact Assessment of this group the following impacts of Fair Trade were observed:

- *ABH producers fall into the top 13% of the Bangladeshi population who are able to afford to eat three meals a day, as well as having better than average housing.*
- *Producers can afford to send their children to school, and many pay for home tuition.*
- *Producers work shorter hours than in the rest of the garment sector (usually 7-9 hours a day as opposed to an average of around 12 hours).*
- *Gender relations have been affected by the producers' status as income earners: many are able to go to market and do the shopping alone, which would not have been possible before. Younger women take part in decisions about their marriage, including refusing offers.*

"There have been many changes – before I had nothing. Now I have a house, a well, a latrine, and the children go to school." Perween, Action Bag

There are numerous such examples of Fair Trade positively impacting on women's producer groups. However, the Fair Trade movement is aware that such positive effects on women are not always the result of its dealings with producer groups and the challenge remains to systematically validate the role of women within the movement both in the North and the South. The movement is continuing to try to find ways to achieve this.

[15] *Oxfam Fair Trade Programme, Oxfam Fair Trade Company, Oxford UK.*

[16] *The core rights covered by various ILO Conventions refer to freedom of association; right to organise and collective bargaining; minimum age for the employment of children, freedom from discrimination in employment and occupation, equal treatment of men and women; freedom from forced labour and compulsory labour; occupational safety and health.*

between accessing a local market and an export market (Fair Trade or otherwise) for their products. It is also underlined that producers should aim to, and be assisted to, process the product as far as possible in the region before exporting, thus obtaining a higher return on

"It is fundamental to develop the Fair Trade philosophy in developing countries":

by Charles Yvon Tougouma, CDS, Burkina Faso[17].

Burkina Faso is situated in West Africa with a population estimated at 10 million inhabitants. It is among the twelve poorest countries in the world. However, Burkina Faso is a great producer of mangoes. Production is estimated at 150,000 tonnes per year but only 50,000 tonnes per year are used in local consumption and trade. Thus, the majority of the mangoes rot under the trees.

Mango farmers are discouraged and more and more are not tending their mango groves. Some want to cut down the mango trees to make charcoal - this would have dangerous consequences for the environment and ecological system.

It was in this context that CDS, the Circle of Fruit and Vegetable Dryers, was created with the support of the NGO CEAS (Centre Ecologique Albert Schweitzer) and Claro, a Swiss Fair Trade organisation.

The CDS has facilitated the creation of more than 500 rural jobs and has provided an income which permits those farmers and dryers to eat, to pay for schooling for their children. This is very important because more than 50% of the population of Burkina Faso lives in absolute poverty.

All these advantages are possible thanks to the support received from Fair Trade which can be summed up as follows:

- *Selling the majority of our dry mangoes;*
- *Financial support to permit us to buy all the raw materials useful for dry fruit production;*
- *The Fair Trade price for our product is good;*
- *Since the end of last year, our principal partner in Fair Trade (CLARO) has supported us in perfecting our drying system and our quality control in accordance with the HACCP method (Hazard Analysis Critical point);*
- *Thanks to the food sales in the Fair Trade network, CDS has built an office and perfected its organisation in order to permit it to meet all the international trade conditions.*

For us, Fair Trade is the best way to permit developing countries to progress and to fight against multinational power in international trade. This is why it is now necessary for the Fair Trade partners in the South and in the North to work together on Fair Trade Guidelines and the modalities of their application... CDS believes that the application of guidelines must be discussed with each southern partner, because all of the partners do not have the same culture or practices. Fair Trade must respect the cultural identity of each partner and permit this culture to progress. Fair Trade must not be another form of colonialism where the southern partner is obliged to imitate all the western practices. Also it is necessary to examine how to increase the sales capacity of World Shops. The production capacity of developing countries is greater than the selling capacity of the World Shops. This is a major problem because the southern partner could be obliged to sell its production to multinational companies.

In conclusion, it is fundamental to develop the Fair Trade philosophy in developing countries, to promote Fair Trade coordinations in developing countries like EFTA in Europe...

[17] *Edited from a presentation made by Charles Yvon Tougouma at Congress on Fair Trade, Wuppertal, Germany in June 1998.*

their sales and gaining additional technical skills. This aim is frustrated by the application of escalating tariff barriers by importing developed states, a system whereby the tariff rate applied to the import increases according to the level to which the good is processed.

Alternative trading organisations in the North also take on board additional principles. Most importantly they provide finance, assistance and training to assist marginalised producers to build up management capacities and production efficiency to eventually access the mainstream export market. Thus, they agree to provide regular feedback to producers on market trends, fashions, health and safety regulations so that producers may adapt production techniques and develop new product lines if necessary. They support producer organisations in areas such as quality assurance and sustainable production methods. They agree to respect the European code of conduct of NGOs on the image of producers presented. It is also a fundamental element of alternative trading organisations' work that they should take part in education and advocacy campaigns to promote Fair Trade and the creation of an international trade structure that benefits producers.
Special emphasis is put on the role of women in the decision-making process both within the Southern producer group and within the Northern Fair Trade organisations. Likewise, a respect for the cultural identity of all partners is expected throughout the movement.
In the case of Fair Trade importing organisations and shops, failure to meet all or most of these standards from the outset does not disqualify a Southern producer group from becoming a Fair Trade partner. The diversity of the production groups, the products, the economic and social realities in which they operate necessitates that each producer group be treated on a case by case basis. It is more important in the selection procedure that the producer group be attempting to reach these standards and that the Northern partner be willing to assist in this evolution, than that the group has already reached an optimal position. This is reflected in the views of Charles Yvon Tougouma of the CDS network in Burkina Faso (see Box entitled "It is fundamental to develop the Fair Trade philosophy in developing countries"). On the other hand, by their very nature, Fair Trade labelling initiatives must guarantee to the consumer that the agreed criteria have been respected. While some degree of flexibility is possible to reflect the specificity of a product, once the criteria are agreed, the producer must prove to be working towards reaching all of them without exception.

Who are Fair Trade Producers?

Fair Trade producer groups vary greatly from one region to another, and from one product to another. Groups include federations of producers, co-operatives, family units, workshops for handicapped, state organisations, private companies, and increasingly Northern groups producing goods in the context of the social economy. The size of these groups can vary - the largest network currently exporting Fair Trade goods is the Frente Solidario de Pequeños Cafetaleros de America Latina which represents over 200,000 coffee producers. On the other hand, Action Bag Handicrafts referred to in the Box entitled "Women and Fair Trade – Successes and Challenges" includes only 60 people.

However, what all these groups have in common is that they are "marginalised". They mostly

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What Constitutes a fair price?

Perhaps the most well-known aspect of the whole Fair Trade system is the "fair price". The Fair Trade price, like all other criteria, is arrived at by a process of discussion. The price should cover the full cost of producing the good, including social and environmental costs. This price must be sufficient to provide the producers with a decent standard of living and a margin for investment in the future. In general, importing organisations accept the calculations proposed by the producers. In the case of primary products like coffee or cocoa where the price is determined on international commodity exchanges, the Fair Trade movement pays the international price, which has little bearing on the costs of production, plus a premium. A minimum price is guaranteed, regardless of the vagaries of the market.

Liberal economists point out that this intervention in the market is "unfair" and will lead to an increase in production of products already in over-supply. However, the concept of a more just exchange between North and South is not a new idea. The economist, John Maynard Keynes, suggested in the 1940s that the proper economic prices should be fixed not at the lowest possible level, but at the level sufficient to provide producers "with proper nutritional and other standards in the condition in which they live.... it is in the interest of all producers alike that the price of a commodity should not be depressed below this level, and consumers are not entitled to expect that it should"[18]. The internalisation of social and environmental costs in the price of a product has been on the agenda of international organisations such as the United Nations (UN) and the European Union (EU) ever since, and is the cornerstone of the environmental movement's "eco-tax". In practice, evidence from over 40 years of fair trading suggests that very few producers have expanded production due to the higher price paid - given the tiny parcels of land they possess and the lack of working capital and resources, it is almost out of the question.

Fair prices to producers need not always imply above average prices to the consumer - approximately half the prices for Fair Trade products are higher than the market price and half are lower. Many products are highly competitive. This is possible due to the lack of intermediaries in the distribution chain and the invaluable contribution by the movement's volunteers. Not all consumers expect that the price should be lower than that which guarantees a decent standard of living to producers.

Finally, in response to the criticism that by nature of the higher prices of Fair Trade products, the movement excludes less financially secure consumers in Europe, it should be borne in mind that the marginalisation of many citizens and consumers in Europe is a result of the same forces of globalisation and market liberalisation that exclude small-scale southern producers. This criticism should not be directed at Fair Trade but rather at the same factors that Fair Trade seeks to combat.

operate in the informal economy where wages and income are low, social benefits almost non-existent, working conditions difficult. Whether because of economic or geographic factors, lack of experience or available resources, without the help of Fair Trade organisations, they would not be able to gain direct access to a market, either locally or abroad. The difficulties

[18] *Quoted in the "Oxfam Poverty Report", Kevin Watkins, Oxfam UKI, Oxford, 1995*

Ambassadors of Fair Trade - Choice of Products

Fundamental characteristics of Fair Trade products are their consistently high quality and the increasing variety and range available.
In the early years, the product choice consisted almost exclusively of handicrafts. Over the intervening years the range of handicraft products has developed and now includes jewellery, household items (linen, wall-hangings, rugs, kitchen utensils, glassware etc.), toys, pieces of art and giftware. Parallel to the expansion in this sector, the choice of food items has steadily increased and now includes coffee, tea, cocoa, chocolate, sugar, tea, wine, fruit juices, nuts, spices, rice and other cereals etc. On average, food products represent more than 68.4% of retail turnover of the EFTA members, while handicrafts represent 26.4%. The remaining 5.2% of sales are made up of literature and products sourced from Northern countries and produced by organised operating in the context of the social economy. Organisations operating in the social economy refer to organisations aiming to promote similar working and trading conditions in the north as Fair Trade promotes with its southern partners. In some countries this is more advanced than others such as Switzerland and Italy.
"Handcraft is more a method of production than just a range of products. Thus, these products, which can be items of practical use or of immense cultural value, are extraordinarily varied. The materials reflect the diverse know-how and local resources"[19]. These are the products that attract customers. The variety of these "artisanal" products reflects also the situation of the producers who produce them - for some (e.g. textile production, batik etc.) production is dominated by women while for others (glass, pottery, brassware etc.) production is primarily done by men. In some cases crafts are produced as a "sideline" and can be important as a means of supporting impoverished agricultural labourers with seasonal orders that supplement their income. On the other hand, for many producers of these non-food items this production is their main income earning activity carried out either by hand or in factories with appropriate tools and machinery. Crafts also support indigenous people in their efforts to maintain their culture and to control the marketing of their own traditional crafts.

If products such as coffee, cocoa, tea, bananas, sugar etc. represent a crucial part of national income and foreign exchange to many of the Southern countries, they represent basic survival to the millions of small farmers who produce these crops. The crisis in the commodity sector rendered it imperative that Fair Trade contribute to the improvement in conditions for these producers by importing food products. In 1973 coffee was introduced for the first time and quickly became one of the Fair Trade range's anchor products. Importing of food products must not jeopardise local food security, and local processing must be encouraged where possible, diversification into specialised products like organic products or other products with better market potential must be supported.

After years of significant investment in assisting producers to provide the desired products at acceptable standards, the movement can now boast of a choice of between 5,000 and 7,000 products and products of superior quality (chocolate with extra high cocoa content; chocolate that is guaranteed free of genetically modified soya; coffee that competes with the highest quality coffees on mainstream markets, an increasing range of organic products, textiles printed with vegetable dyes rather than chemical dyes etc.

[19] *Solidar' Monde, quoted in Solagral , June 1997 opcit.*

experienced by these groups are often compounded by racial, ethnic or gender inequalities. Any group which seeks to support sustainable development in its group and community, to provide regular income to its members, to encourage democratic participation and to respect other mutually-agreed criteria such as the empowerment of women, respect for human rights, the environment and indigenous culture, is a potential partner of the Fair Trade movement. However, in order that the producer group be accepted as a trading partner, it must be able to produce (usually after some assistance) a marketable product. It must be able to supply the product at a reasonable price and in sufficient quantities within specific time periods.

EFTA currently imports products from over 700 trading partners in Africa, Asia and Latin America.

Benefits to Producers

There is no doubt that Fair Trade holds many and varied benefits for the producer partners. First and foremost producers are given direct access to a market that would not otherwise have been possible. In gaining direct access to the European Fair Trade market, producers frequently also build up outlets in mainstream European trade by attending business fairs in Europe, visiting commercial traders etc. This is very much encouraged in order to avoid an over-dependence on the Fair Trade system.

Producers are guaranteed a fair price and decide themselves how the extra premium paid by Fair Trade should be distributed in the best interests of their communities. Many invest in product improvement; building up the financial, technical or managerial capacity of their organisations; improving farms or buildings. Others use it for education, health care, housing, social obligations etc. Sometimes, if the market has been particularly depressed, the Fair Trade premium makes the difference between the producer family going hungry or not, or migrating from the land to the city or not.

Most producers only sell a small part of their total production to the Fair Trade market. The rest is sold under the usual conditions to the mainstream market. However, by paying a fair price for even a small part of production, there is often a snowball effect on prices paid for the rest of production. As Alternative Trading Organisations buy up part of production at a higher price, this reduces the availability of products to middlemen who are then forced to offer higher prices to obtain sufficient quantities. This effect has been experienced in the case of honey sales in Chiapas in Mexico, brazil nuts in Peru, cocoa in Bolivia, tea in Zimbabwe etc. This means that not only is it possible for producers who are lucky enough to have made contact with Fair Trade outlets to sell all their production at better prices, but other producers in the region, often equally marginalised, benefit also.

But, surprising as it may seem, for many producers the fair price is not the most important part of the fair trading relationship. Fair Trade organisations also pre-finance orders if necessary. This is crucial for small-scale producers because it means that they can buy inputs for production and survive the season without having to go to money lenders - a step which usually spells a never-ending spiral of crippling indebtedness. Likewise, the guarantee of payment is of great value whether in advance or promptly on delivery of the goods. Most small-scale pro-

ducers have experienced middlemen who place orders and never claim the finished product, or who refuse to pay the agreed price etc. The stability of production and hence incomes, and the guarantee of a long-term relationship is a major benefit to producers and allows them to make some provision for the future. The benefits of these additional aspects of Fair Trade to producers is evidenced by the fact that, even when prices (for example for coffee) rise and middlemen offer higher prices than the co-operatives can afford, most producers prefer to stay with the co-operative if at all feasible - they know that when next time the coffee market slumps there will be no support offered by middlemen and speculators.

There are also other advantages to being part of the Fair Trade relationship. For example, many Alternative Trading Organisations offer assistance to the producers. Technical assistance is offered in the form of training by style consultants to keep up with European fashions, training on production methods and research to develop organic food products or environmentally friendly textiles and handicrafts, advice on financial and managerial affairs etc. In addition to this assistance, many Alternative Trade Organisations also offer producers loans (rather than grants that may disrupt the trading relationship) to expand their production. As production expands, increased investment and working capital is necessary. Advance payments often do not provide the required amount, and banks frequently consider marginalised producers a "bad risk" and refuse to lend money. This is where Alternative Trade Organisations step in. The long-term, personalised relationship reduces the risk of default on a loan and the possibility of repayment with products makes it attractive to both sides.

Perhaps one of the main benefits of the partnership approach of Fair Trade is the confidence it gives producers to approach a trading system perceived to be too complicated, too distant to understand. John Kanjagaile of the Kagera Coffee Co-operative Union in Tanzania notes that "it is not uncommon in Kagera to be asked about the London market, while one is in the villages. This language of New York and London markets was in the past not common with farmers...." This example reveals how farmers in villages now speak of the international coffee price and the London commodity exchange with a real understanding of the impact it has on their lives and livelihoods. John Kanjagaile also explains how the co-operative now feels confident enough to enter the coffee auctions and bid against the giant trans-national companies (TNCs). Before starting to trade with the Fair Trade movement this was out of the question.[20]

Another positive result of co-operating within the Fair Trade system is the contact it creates between Southern producers. For example, in February 1995 the European Fair Trade Association (EFTA) organised a meeting of 24 African producers and 19 people from northern Fair Trade organisations. This gives Southern producers the chance to learn from each others' experiences. Another example of the potential South-South contact could have is demonstrated by an experiment carried out by Oxfam UK regional Fair Trade organisations. The Philippines office decided to try to sell Philippine crafts in an Oxfam supported shop in Bangkok - with extremely positive results - as in the North, also in the South "people in many countries prefer the exotic to the familiar and I think there is tremendous potential for South/South trade"[21]. Increasingly Southern partners are recognising the need to make links within and between the Fair Trade sector in developing countries as the comments from

[20] *Taken from a speech made at a NEWS! Conference, Salzburg, February 1995.*

Charles Yvon Tougouma highlight. Reference has already been made to the very large organisation Frente Solidario de Pequeños Cafetaleros de America Latina comprising over 200,000 coffee producers in several Latin American countries. Another example of this kind of cooperation is the Red Latinoamericana de Comercialización Comunitaria (Relacc) set up by a Fair Trade organisation in Ecuador. At its third meeting in 1997 it brought together producers from 13 Latin American and Caribbean countries.

Trends and Perspectives for Fair Trade

"It is now clear that Fair Trade is not a marginal 'niche' market nor a passing fad but is increasingly seen as one of the few genuinely successful approaches to development aid. Today, Fair Trade is an established principle in almost all European countries, which has been successful with certain consumer groups, has a steadily growing distribution network throughout the EU and is even providing job creation opportunities in Europe . Though it is notoriously difficult to estimate the overall value of the Fair Trade market, it can be stated with certainty that the annual aggregate net retail value of Fair Trade products sold in Europe exceeds 260 million euros[22].

The most significant evidence of the success of Fair Trade is the attitude of traditional industrial groups. Some of these are increasingly sensitive to the impact of Fair Trade publicity campaigns on the market, so much so that they have started to identify certain types of products that meet the fairness criteria and are, on that basis, given explicit publicity. Although still in its initial stages, the involvement of major traditional industrial groups in Fair Trade ..... has triggered off a process whose importance should not be underestimated"[23].

It is incontestable that Fair Trade has made significant progress in commercial and political terms. The Fair Trade market is growing. An EFTA survey in 1998 estimated the net retail turnover of Fair Trade in 16 European countries at over 200 million euros. An update of that survey in 2001 puts this figure at over 260 million euros - an increase of 30% over the intervening years. Figures from EFTA members show an average annual growth rate in total retail value between 1995 and 1999 of 3.3%. However, this varies enormously from country to country. In countries where the concept of Fair Trade has been relatively recently introduced such as Italy and Spain average annual growth rates of EFTA members have been 17% and 31% respectively. The EFTA member in France has recorded average growth rates of 13.6% while the Belgian members have jointly registered growth rates of approximately 8%[24].

Secondly, there is no doubt that awareness of Fair Trade is quite high. Surveys reveal that the European public is becoming increasingly discerning in their choice of goods and increasingly willing to pay a higher price for a product reflecting criteria they believe to be important. For example, in the UK 68% of consumers declared they were willing to pay a higher price; and in Sweden 64%. In the UK 86% of consumers are now aware of Fair Trade, in Sweden the figure

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[21] *David Newell of Oxfam UK, Bridge News No. 17 June 94.*

[22] *Fair Trade in Europe 2001, opcit.*[27] *Fair Trade in Europe 1998, Facts and Figures on the Fair Trade sector in 16 European countries, EFTA 1998 and "Attitudes of EU Consumers to Fair Trade Bananas", European Commission, 1997.*

[23] *Explanatory statement accompanying the Resolution on Fair Trade adopted by the European Parliament in July 1998.*

[24] *Statistics from European Fair Trade Association, EFTA.*

Political Commitment to Fair Trade in Europe

1991: *European Parliament adopts "Resolution on coffee consumption as a means of active support for small Third World coffee producers and the introduction of that coffee within the European institutions".*

1994: *European Parliament adopts "Resolution on promoting fairness and solidarity in North South trade".*

1994: *European Commission prepares "Memo on alternative trade" in which it declares its support for strengthening Fair Trade in the South and North and its intention to establish an EC Working Group on Fair Trade.*

1996: *Economic and Social Committee of the European Communities adopts an "Opinion on the European "Fair Trade" marking movement"*

1997: *European Parliament adopts a resolution on the banana sector, calling on the Commission to facilitate access of new Fair Trade operators.*

1997: *European Parliament adopts a "Resolution on Social Labelling" welcoming the initiatives of the NGOs behind the Clean Clothes Campaign and Rugmark and the other fair-trading initiatives.*

1998: *United Nations Conference on Trade and Development (UNCTAD), Partners in Development Conference - the Fair Trade movement invited to participate in the formal conference.*

1998: *European Parliament adopts the "Resolution on Fair Trade".*

1999: *European Commission adopts a "Communication from the Commission to the Council on "Fair Trade".*

2000: *First ever EU-Africa Summit Final Declaration refers specifically to Fair Trade.*

2000: *New Partnership Agreement between the African, Caribbean and Pacific states and the European Union, the Cotonou Agreement, makes specific reference to the promotion of Fair Trade.*

2001: *European Commissioner Lamy, responsible for the Directorate General (DG) on Trade, agrees to include Fair Trade in the dialogue between DG Trade and civil society within the Civil Society Consultation (CSC) process.*

1992-2000: *Five Fair Trade Days and a Fair Trade Lunch were organised by EFTA at the European Parliament to introduce MEPs to Fair Trade*[25].

All the European Institutions use Fair Trade coffee (though not exclusively) and some also use Fair Trade tea.

Several European countries now include Fair Trade as part of their development co-operation policy while public offices in many countries are now purchasing Fair Trade products. Parliamentary resolutions (at regional and national level) and/or government action plans to support Fair Trade have been adopted or are under discussion in several countries [26].

is 84% while in the Netherlands it is 86%[27].

Thirdly, over the last ten years Fair Trade has been clearly put on the political agenda at both a national and European level (see Box entitled "Political Commitment to Fair Trade in Europe").

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[25] *A sixth Fair Trade Day is planned for December 2001.*

[26] *For further information on national and regional developments see „Fair Trade in Europe 2001‰, country by country analysis or contact the EFTA Campaigns and Advocacy Office.*

[27] *Fair Trade in Europe 1998, Facts and Figures on the Fair Trade sector in 16 European countries, EFTA 1998 and "Attitudes of EU Consumers to Fair Trade Bananas", European Commission, 1997*

Much of the progress made in the recent past can be attributed to two complementary developments - the professionalisation of the movement, and the emergence of a strong European dimension.

Professionalisation

Professionalisation of the Fair Trade movement has taken place at several levels. Much effort has been invested in building up the production and managerial capacity of Southern producer groups. This has led to a vast improvement in the quality and choice of products on offer, and also the efficiency of production. Likewise, importing organisations have restructured to ensure a greater efficiency in the use of their own resources - staff training, computerisation, consulting fashion designers to ensure Fair Trade products reflect market trends etc. Alternative Trade Organisations' catalogues and magazines are prepared stylishly and distributed efficiently and widely. Use is made of the media - press, radio and television where possible, particularly in the launch of new products. World shops have also changed - they are now found in the centre of busy shopping districts rather than in obscure corners; there is an increasing number which employ at least some paid staff which allows for longer opening hours and better management of the shops; with the establishment of national associations of shops in most countries there is an increasing support for individual shops in terms of window design, interior layout, staff training and so on. Reflecting trends in mainstream business, «the image» of Fair Trade has also changed. Increasingly Fair Trade shops in each country and even Europe-wide are adopting common names, logos, styles to make them recognisable to the public. Attractive packaging has been designed for the products and information labels to inform consumers added. Promotional events, seasonal markets etc. are all utilised to the best advantage. Throughout the Fair Trade movement the internet is being exploited as an effective tool to increase the flow of information and to develop on-line sales.

European Dimension

National initiatives to professionalise and hence expand the Fair Trade market have been reinforced by the establishment of European Fair Trade networks. In response to the increasing centralisation of decision-making on legislation on trade and production at a European level, and in recognition of the increasingly competitive retail market, the importing organisations, shops and labelling organisations decided to establish their own European co-ordinations to meet the new challenges (see Box entitled "Over Forty Years of Fair Trade").

By capitalising on the specific advantages of each member, **EFTA** offers services to its members that reduce individual costs and hence increase competitivity. This has led to efficient product specialisation, development of new products and organic products, more harmonised information on producers and producer assistance programmes, monitoring of changing norms, and exchange of information, along with joint seminars and training sessions. In addition EFTA coordinates advocacy and campaigning work of its members and the Fair Trade movement towards European and international political institutions. EFTA also co-founded the TransFair label in 1992.

The **Network of European World Shops (NEWS!)** facilitates cooperation and networking between its members by providing information and workshops, and organising a bi-annual European world shops conference and campaign activities. Members gain from the experience

of other members in several areas (shop management, promotions, media work etc.).
The **International Fair Trade Labelling Organisation (FLO)** coordinates the work of the international labelling initiatives and ensures that the two core ideas of the label concept, i.e. producer registers and product-related trading rules are harmonised and monitored all along the supply chain.
IFAT acts as an information point for its members, collecting and disseminating market information and providing advice and guidance on several issues.
Since 1998, these four networks have been cooperating in an informal umbrella network called **FINE** to advance the development of a common definition of Fair Trade, criteria and monitoring systems and to cooperate on advocacy and campaign issues.

Challenges for Fair Trade

Despite the significant gains made by the Fair Trade movement in both commercial and political terms, the challenges facing the movement remain significant.

Expanding the Fair Trade Market

One of the most pressing needs facing Southern producers is to expand the Fair Trade market in Europe, both to accommodate a greater proportion of their production, and also to give access to other Fair Trade producers in the South. This is the view of all producers as explained by Charles Yvon Tougouma of CDS, and of representatives of the coffee cooperative Recocarno who noted that the two cooperatives active in the Fair Trade network in Haiti do not even represent one quarter of the families involved in coffee production. The rest of these coffee producers continue to live and work in very bad conditions.[28]

Expanding the European market is an uphill struggle. While aggregate figures show impressive growth in Fair Trade turnover, the statistics mask key problems. Significant growth is occurring in countries where the concept of Fair Trade is new. Starting from a very small basis sales are expanding rapidly. However, in several countries such as Austria, the Netherlands, Switzerland, Germany and the UK where the concept has been developed over more than forty years, several Alternative Trade Organisations are registering very sluggish growth, sometimes even decline and crises over a number of years as major restructurings are undertaken. This reflects the attainment of a certain threshold level of sales or market share which then seems very difficult to surpass.

The problem of expanding the Fair Trade market stems from several sources:- trying to compete with multinational companies' marketing strategies, import licence control, positioning in retailing along with the frustrations of some European policies that militate against trade in certain products. Health and safety standards are increasing all the time, fashions are changing at ever-increasing speeds and the gradual establishment of a single European market implies a harmonisation of import regulations on standards, import duties, VAT structures etc.

The launch of Fair Trade labels in several countries is one way in which new markets can be

[28] *Representatives of the RecoCarno cooperative Lavalette Saint-Vil and Alain Jean Louis speaking at the Fifth European Fair Trade Day organised by EFTA at the European Parliament in February 2000.*

tapped and increased sales achieved. Another possibility is to expand the public procurement of Fair Trade products at national, regional and local government level.

Harmonisation of Definitions, Criteria and Monitoring Systems of Fair Trade

Ironically, the political and commercial success and increased awareness of consumers of Fair Trade, has also led to new challenges for Fair Trade. In recent years the calls on the movement to develop a common definition of Fair Trade, clear harmonised criteria and monitoring systems and ever more transparent guarantees regarding the benefits of this trade have been emanating from concerned consumers, research centres, political fora and indeed from the movement, North and South, itself. The Fair Trade movement has always sought to assure itself and concerned consumers that benefits are accruing to the producers and thus importing organisations have always carried out regular assessments of producer groups via questionnaires, external audits, field trips etc. Fair Trade believes, however, that criteria and monitoring should not just apply to producer partners or be a top down approach. Fair Trade believes that business must take responsibility for the whole production and trade process, from producer to consumer. To this end it has initiated a system of such control over its own operations. The system is called "Social Auditing" and aims to:

- identify social and ethical principles on which evaluation should be based (obligation to improve conditions of producers in South);
- identify the groups and individuals affected (producers, producer families, importing organisations and staff, Fair Trade shops, solidarity groups, volunteers, consumers etc.)
- identify performance indicators, defined in co-operation with all those involved in chain (selection of partners, basic Fair Trade criteria, image in which producers presented; quality of products; efficient, ethical relations with sales outlets like shops, solidarity groups and other distribution channels to enlarge Fair Trade market etc.)
- measure the performance of the company based on information available (internal reports, comments of producers etc.) in a style similar to financial accounting (rigour, transparency, objectivity).
- have the social account ratified by an external body;
- communicate the results and effect necessary improvements.

Increasingly, the Fair Trade movement has been harmonising its activities within the four European networks and within FINE, together with its southern partners. The objective is to develop a common definition of Fair Trade (achieved in October 2001) and common criteria and monitoring procedures which are suited both to the diverse cultures and contexts of all partners and at the same time meet the expectations of concerned citizens, consumers and politicians alike.

Problems faced by Producers

There are many other problems to be overcome from the perspective of producers. Their marginalised position often means that they lack the management, technical and financial capacity to enter the export market. As an example, the representatives of Recocarno point to the lack of equipment to roast coffee in Haiti and thus develop finished products, the lack of credit to buy inputs, the inability to diversify from coffee to other products because mainstream

companies refuse to buy the cooperatives' other products if it will not sell its coffee to the same companies on their terms.

Role of Women in Fair Trade

Validating and supporting the role of women in the whole movement remains a challenge, though significant progress has been made.
There is a considerable gap between the return women get, and the role they play in society. 70% of those living in absolute poverty are women.
Women are central to the Fair Trade movement, representing up to 80% of volunteers working in shops and a significant part of the production of Fair Trade producer groups. Practically all Fair Trade organisations now include respect for the role of women in their criteria, both North and South, and undertake to provide training and education on this issue. Fair Trade organisations aim to recognise the work of women; to secure their employment, to improve their income level, to ensure access to technology, credit and the decision-making process. By importing products from groups made up of women only or mixed groups, Fair Trade organisations support them in their struggle for economic, social and political emancipation.

Fair Trade recognises these challenges and is working constantly to meet them. Continued progress in the fields of professionalisation and Europeanisation are assisting to retain and expand markets. Harmonisation of work on criteria and monitoring is also continuing. Several studies have been conducted to measure the impact of Fair Trade both from within the movement and by independent, external organisations. The Fair Trade movement is continuously seeking to improve its performance in areas that appear problematic.

Translating Political Support into Concrete Commitment

All Fair Trade organisations see it as an essential element of their work to campaign and advocate for the promotion of Fair Trade, and also for the improvement in the rules and practices of conventional international production and trade to ensure greater equity between all stakeholders, North and South.

Campaigning for Fair Trade

The Fair Trade movement has become more professional in its awareness-raising and advocacy work - producing well researched documents, attractive campaign material and public events, using all channels of communication - radio, television, written press to diffuse a message. It has also benefited from the establishment of European structures to harmonise and centralise its campaigning (establishment of an EFTA advocacy office in Brussels, efficient research of issues, distribution of information, approach towards decision-makers). While the movement has become more professional and European, it maintains an exceptional grassroots base, depending on its network of approximately 100,000 volunteers, representatives and activists and millions of supportive consumers to transmit its message to those in power. The public is invited to act via petitions, postcard campaigns, public events etc.
The Fair Trade movement believes that it is also essential that public authorities at both the national and European level support Fair Trade, both politically and financially. The results of this campaigns and advocacy activity are impressive (see Box on "Political Commitment to

Proposals to national and European political institutions to promote Fair Trade

Preferential Treatment for Fair Trade Products
EFTA believes that the most effective means of promoting Fair Trade is to encourage companies to act responsibly rather than to threaten them with sanctions. Positive incentives could include awarding products carrying a Fair Trade label preferential VAT rates. EU Member States should take steps to award tax breaks for companies trading fairly; provide set-up capital for Alternative Trade Organisations; subsidies (e.g. unemployment schemes) to finance staff costs etc.

A Co-ordinated Approach to Support Fair Trade by the EU and Member States
Fair Trade has benefited from significant support from the European Commission for awareness raising programmes. This approach should be continued. However, it is essential also that the Commission co-ordinate its resources within and between services to mobilise resources to support Fair Trade producers (credit, technical assistance, capacity building, facilitation of producer participation in international fora); Fair Trade organisations in the North (financing studies on possible incentive measures like VAT or import tax regulations; distribution of information on changing EU regulations; making information on commodities markets and crises foreseen more available etc. and also for publicity and marketing of Fair Trade and Fair Trade labelled products).

Recognition of Fair Trade Labels
The EU should recognise existing Fair Trade labels, now globally harmonised under one organisation, FLO. This recognition would enhance the labels status and make it more attractive to companies. The EU should promote this issue within the WTO.

Fair Trade in Europe"). The challenge now before both the Fair Trade movement and the political powers is to translate these political statements of support into concrete financial and technical support. The Fair Trade movement has identified three key areas in which the national and European political institutions could support Fair Trade (see Box entitled "Proposals to national and European political institutions to promote Fair Trade").

Campaigning for Equity in the Rules and Practices of Production and Trade

While the expansion of the Fair Trade market is encouraging, no matter how quickly it grows, it is, and may never be, large enough to give access to the produce of the millions of small-scale farmers who work to develop their regions. Nor can the Fair Trade market improve the position of producers involved in industrial production or, in general, large scale plantation agriculture. Therefore, a key preoccupation of the Fair Trade movement is to raise awareness of the degrading conditions under which most international trade and production is carried out and to campaign for an improvement. Campaigns are directed towards mainstream business, and multinational companies in particular, to encourage a responsible attitude in international trade dealings, and also towards political institutions responsible for legislation regarding production and trade. Fair Trade is presented as an operational model of an alternative system and a symbol of "best practice" towards mainstream trade.

Multinational companies and responsible trade

The basic message of the Fair Trade movement is that mainstream business must take responsibility for the whole production and trade procedure, from the producer to the consumer. Not only the economic effects, but also the social effects on each participant in the chain must be accounted for, as well as the ecological consequences. Having identified the positive and harmful effects of the production chain, companies must invest in improvements to guarantee a more sustainable process. This discussion of Ethical Trade and Social Accountability is the subject of Chapter Three and therefore not dealt with here.

Suffice it to say that Fair Trade aims to act as a symbol of best practice and, with its own system of Impact Assessments, Monitoring and Social Auditing, to serve as a model of how companies could behave more responsibly.

European and International Decision-Makers and the "Rules of the Game"

Though globalisation, market liberalisation and TNC concentration continues, regional trading blocs like the EU, US and Japan, and international trade organisations like the WTO (and to a lesser degree the UN conference on trade and development UNCTAD) still retain the power to improve conditions of trade that would benefit marginalised producers and producing countries in the areas of commodity market stabilisation, control of speculation and TNCs, reduction of protectionist measures such as tariff escalation[29] and non-tariff barriers, particularly in the agricultural sector; establishing of development co-operation, trade, agricultural policies that reinforce each other in the interests of the South; transparency in trade agreements and support for equal producer participation etc. The Fair Trade movement has campaigned tirelessly for the introduction of Fair Trade principles into the legislation governing EU and Member State dealings with the South (see Box entitled "Promotion of sustainable trade and development between North and South").

29 Tariff escalation refers to a system whereby the tariff applied to an imported product increases as the product becomes more processed.

Promotion of sustainable trade and development between North and South

Fair Trade and Development Policy

Fair Trade principles could be used as a model on which to build a coherent approach to development and trade policy between the EU and all developing countries focusing on the:

- *potential of small and medium-sized enterprises;*
- *the need for micro-credit,*
- *the empowerment of female producers,*
- *appropriate technology,*
- *capacity building,*
- *the necessity of protection and support of marginalised producers and infant industry until they can face open competition;*
- *the necessity of a guarantee of minimum commodity prices,*
- *support for product diversification (horizontal and vertical) in the South*
- *environmental sustainability.*

It is essential that policies developed to support trade that promotes sustainable development in the South not be frustrated by policies introduced by the EU and Member States on agriculture, industry, fisheries etc.

Abolition of EU Import barriers

EFTA calls for the abolition of all measures that frustrate sustainable trade development in the South e.g. the common agricultural policy (CAP); quota systems; escalating tariffs etc. EFTA advocates the adoption of a system of preferences, which takes account of the different level of development of producers in different developing countries and allows marginalised communities to improve their trading position.

Fair Producer Representation

EFTA advocates producer participation in international negotiations on commodity trade. For example, the Latin American association of small coffee producers, the Frente Solidario, should have a seat in the International Coffee Organisation and producers should be represented in policy-making bodies of the WTO, UNCTAD etc.

Reinforcement of the Commodity markets

Commodity markets are in disarray - protectionism on the northern markets, declining and unpredictable prices and terms of trade; speculation and concentration of the market in the hands of TNCs are forcing producers to abandon their farms and move to the cities. In this context EFTA campaigned tirelessly against the proposed revision of the European Directive 73/241/EEC which would allow the use of vegetable fats other than cocoa butter in the manufacturing of chocolate (see Part II, Chapter "Cocoa" for details). Similarly, EFTA is active in the world-wide campaigns to revoke American TNCs patent on Basmati rice and to safeguard the interest of millions of Southern small-scale rice farmers (see Part II, Chapter "Rice" for details). Finally, with coffee prices at an all-time low and coffee producers in despair, EFTA and its members are again involved in campaigning for improvements in conditions in coffee production and trade (see Part II, Chapter "Coffee" for details).

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3 Corporate Social Responsibility

Véronique POROT

If we consider the number of initiatives in this field by private as well as by public stakeholders, corporate social responsibility is definitely - to say the least - the in thing. Fair Trade organisations can surely be glad about that. For more than twenty years of pioneering work, they have contributed significantly to the empowerment of an ethical consumer movement - and to the creation of an ethical consumer market - which corporations are now striving to meet with their claims of being concerned about their social responsibility.

Upstream from that movement, Fair Trade organisations have also carefully laid the foundations for economic and business practices that respect the producers and workers involved in their production chains. As players actually using trading partnership as a development tool handled by the producers themselves, EFTA members know that commitments on paper fall short of social responsibility - as if putting on a green front was enough to save the planet! They also know that no private stakeholder - even with the best will in the world - will ever replace the public authorities and play their role in regulating and supporting social progress.

Some efforts can be regarded as "window dressing" which need to be carefully watched. Nevertheless, other efforts show a good direction, really leading to improvements in social conditions. Though EFTA approves of initiatives from companies to take more social responsibility, we must remain watchful. It is essential to mark out the ground first: we must define corporate social responsibility; understand the context within which it develops; identify the stakeholders, their motivation and what is at stake for them. These are the issues this chapter deals with, from an angle that emphasises the questions and points of view of Fair Trade organisations.

Carole Crabbé, Hester Stafleu

Why change is necessary

Resources and sustainable development

The depletion of natural resources, the damage to the environment and the growing impoverishment of Southern populations within the context of the predominantly liberal economic system as we know it, lead to the following observation: if we want everybody to live decently, here and everywhere, today and tomorrow, it is urgent to change something in the workings of our societies. To go on like this is unsustainable!
Development can no longer be restricted to economic aspects alone; it must include the social and environmental dimensions as well. This is what we call "sustainable development".

The notion of sustainable development was defined in the Brundtland report - published by the UN World Commission on Environment and Development in 1987 - in the following terms: "Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their own needs".

Waking up with many hopes

For some years now, most people have become aware of the necessity of exploring new paths for development. Major accidents caused by the development of some industrial activities, such as Seveso, Chernobyl, Bhopal, etc. actually opened many eyes. Some of these accidents dramatically affected populations in developing countries.

In order to restore its reputation, the chemical industry has been one of the first industrial sectors to draw up a voluntary agreement - called "Responsible Care" - not only as a way of preventing such accidents from happening again, but also of anticipating the threat of stricter laws. If the principles of such initiatives are laudable, they nonetheless raise many questions about their credibility and the involvement of the other interested parties besides the corporate management. Within the framework of these responsible management schemes, workers and their union representatives are neither greatly involved, nor well informed, as is clearly shown by one ILO report. [1]

Scandals denounced by consumers' organisations and trade unions, have drawn the public attention to the conditions under which some products were manufactured by children, such as footballs or carpets. NGOs, trade unions, consumers, human rights organisations, etc. no longer content themselves with denouncing cases of violation of basic rights, they join forces, put pressure on companies, and advocate compliance with the workers' social rights and the improvement of working conditions. The Clean Clothes Campaign is a good example of this kind of action.

Finally, besides respect for the workers' basic rights, Fair Trade organisations get organised to promote a development model based on a fair distribution of the global resources. To achieve that, they establish partnership relations with Southern producers, who are democratically organised and motivated by the development of their community and region. [2]

Ethics and corporate social responsibility: origins and justifications

Terminology

Ethics, ethical product, ethical behaviour, social responsibility, corporate citizen, societal behaviour, etc. These terms are current buzz words and all have something in common. They affect us all, and each of us - company or citizen - gives them their own particular meaning. But what are we talking about exactly, and who talks about what precisely?

The meaning of the word 'ethics' varies with time and according to the groups. Between the way of life that should enable the citizen to lead a harmonious and happy life in Ancient Greece, and the overtly religious morality - with its taboos and restrictions - governing every aspect of life in the Middle Ages, ethics has now become a life plan, based rather on more personal principles.

Ethics can mean everything as well as nothing: everything, because we refer to it and we expect so much from it ; nothing, because it has come to fill a vacuum, the lack of answers to the major questions posed by society.
Today the word 'ethics' is more often used as a source of rights, a source of regulations to reassert flouted rights, as well as to introduce new ones. But can 'ethics' simply be equated with good compliance with the rules?

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[1] *Les initiatives volontaires ayant une incidence sur la formation et l' éducation en matière de sécurité, de santé et d' environnement. ILO. 1999.*

[2] *For a Fair Trade Europe. European Fair Trade Association. 1995.*

At the corporate level, if ethics is associated with efficiency or profitability, it becomes rather a management tool than a guideline. Ethics is then reduced to the level of business and communication. The main objective of companies is to make profit, but it doesn't prevent morality from having a place. Morality is no corporate requirement, it is a requirement of the people working in the company.

To talk about ethics is not difficult, to comply with it is more demanding.

Why are these notions so fashionable?

The reasons are many:

- globalisation and its compulsive habit of relocating labour intensive activities ;
- the negotiations within the framework of the World Trade Organisation (WTO) ;
- the merging and integration, and the buyouts, prompted by financial and strategic interests;
- the closure of factories without consultation with workers' representatives (Renault factory in Vilvorde, Belgium);
- the involvement of oil companies in some countries (TotalFinaElf in Burma); [3]
- the consumers' pressure to get clearer information (GM organisms, working conditions in the garment sector);
- the shareholders' pressure on companies (quotation on the stock market, ethical investments);
- the movements of civil resistance, peasants´ or people´s organisations ;
- and the limits of the traditional measures to influence corporate behaviour.

The need to put people and their social environment back at the centre of our concern has given rise to initiatives, often made by companies, but also by trade unions, and consumers' organisations, or by coalitions of these different players, sometimes joined by governments. These initiatives take the shape of codes of conduct, charters, voluntary commitments, agreements or labels.

The "Clean Clothes" Campaign and its code of conduct, aimed essentially at advocating and furthering Human Rights at work, is an example of such initiatives. The campaign is a coalition of Fair Trade NGOs, consumers' organisations, trade unions, youth and students' organisations, development NGOs, Human Rights organisations, and many others.

Why do companies take action?

The reasons that stimulate companies to get involved in social responsibility are many, and depend, once again, on the point of view: whether you are a company or a consumers' organisation, you won't say the same about the origin of the initiatives aimed at integrating social criteria into production.

On the one hand, initiatives like codes of conducts or other commitments have been mushrooming for the last few years, and they keep mushrooming. On the other hand, as far as improvement is concerned, (i.e. the expected results), the analysis is still in its infancy, for various reasons that we will try to describe. The few existing assessments are not encouraging, as they show that improvements are rather modest compared with the number of initiatives.

[3] *"Le pétrole en Afrique. La violence faite aux peuples." Bruno Carton. GRESEA. April 2000.*

Despite everything that can be said about these initiatives, they break new ground, and they allow us to draw on examples of existing good practices in order to strive for more effective results.

Among the reasons stimulating corporate action, we can cite the following:
The role of the State: laws and regulations introduced by the State are often perceived by companies as interference with their freedom of action. Codes of conduct allow them to anticipate or avoid binding regulations. The current trend is to strive for a consensus and a participatory processes that complement the traditional regulatory approach. As regards the environment for instance, agreements prompt industries to adopt a more active approach and become supplementary political tools besides the existing ones (regulations and tax incentives).
Companies advocate a new and less restricting approach: "Trust the solutions proposed by the market and do not restrict the freedom of companies and individuals so as to allow ideal development", such is their credo.

The corporate image and the consumers' role: consumers' concern about the social conditions under which products they buy were manufactured is more and more pregnant. Consumers, who have been informed and alerted by several scandals (footballs and carpets made by children, for instance), want more and clearer information about the way products are made.
They want to be able - whenever it is possible - to choose between "good" and "bad" products, as they already do - or would like to do - with food, thanks to organic certification, or with eco-friendly products.

Through Corporate Social Responsibility, corporations try to minimize the risk of negative consumer reactions that could lead to losses in market share, or have negative effects on their image. This risk has now become part of the normal risk management in corporations.

The expectations of the consumers can be satisfied, among others, by a labelling scheme. Labelling a product produced in a socially responsible way however requires the elaboration of well defined criteria which are clear to everybody. The analysis and evaluation of these criteria are also necessary in order to make a difference between socially "clean" enterprises and others, which are not.

If the social benchmarking of companies, based on performance criteria, has only started to be accepted in some European countries (France and Belgium among others), the practice is already common in the United States and is developing very fast in Northern Europe and Switzerland.

But there may be some indirect negative impact, namely for all the companies that are not involved in this kind of initiatives. By drawing attention to the implementation and follow-up of these initiatives, the working conditions in other sectors, unaffected by the current trend, may be overlooked.

Competition: as companies fear for their competitive position in the medium term, they work out what can make them stand out in the crowd of competitors that manufacture the same product.

The above-mentioned social benchmarking is actually a direct advantage in the competitive race between companies, and some of them have fully realised the benefit they could get from participating in such an experiment.
In this unrestrained competition only the big suppliers can meet the standards set by the big corporations, thus leading to a further marginalisation of the smaller companies.

The shareholders' pressure: a low quotation on the stock market can have a considerable impact for the shareholders, as well as for the stakeholders (the consumers, insurers, suppliers, customers, etc.).

Players and networks

The notion of corporate social responsibility requires the analysis of the different parties involved in the company, the so-called 'stakeholders'. This term can include individuals, groups, or organisations who have a stake in the intervention in question. They must be taken

Legal framework

Basic rights

Basic rights cover civil and political rights (the right to live, the right to privacy, freedom of speech, prohibition of torture, etc.) and economic and social rights (ban on forced labour, freedom of association, prohibition of any kind of discrimination, etc.). They are included in the international treaties of the United Nations and of the Council of Europe, as well as in the conventions of the International Labour Organisation (ILO).
Such international agreements are difficult to introduce, even within the framework of the ILO conventions. In fact some of these agreements have not been ratified by all the countries yet, and when countries have ratified them, their implementation, enforcement and monitoring are lacking.
We are forced to conclude that we still have quite a long way to go before having these basic rights guaranteed. The law doesn't always carry enough weight to guarantee compliance with these rights.

ILO core standards

The International Labour Organisation, set up in 1919, is a UN organisation, made up of governments', employers' and trade unions' representatives, based on the tripartite principle. It looks after the interests of the different parties at international level whenever labour is concerned. The ILO core standards mainly referred to are:

- *Abolition of forced labour*
- *Freedom of association*
- *Right to collective bargaining*
- *Prevention of discrimination in employment and pay*
- *Ban on child labour*

Some initiatives go even further and include regulations on working hours, health and safety issues and the living wage concept, all in accordance with the ILO conventions.

into account and accepted as partners in order to define the relations with the groups or interests that affect or are affected by corporate activities. Some groups don't have the economic or political power to ensure that their interests won't be overlooked by the market mechanisms or state regulations.

The objectives of transnational companies are different from those of governments. Governments strive to promote development within a national context and in the public interest, whereas multinational corporations seek to increase their competitiveness within an international context and in their own private interests, for the sake of their own business. Their needs and strategies also differ from those of their host countries.

Corporations

Numerous abuses stemming from the fact that environmental and social conditions have too long been regarded as totally outside the corporate scope have led to the formulation of strict regulations, the elaboration of standards, the implementation of monitoring, ... which are becoming extremely restricting. In order to break out of this vicious circle, corporations are now advocating a type of good governance which is more pro-active, anticipatory and voluntary, but which may also be a way of anticipating or even avoiding new legal restrictions.

A lot of companies - mostly major corporations - are setting up networks according to their interests and their sector of activity in order - sometimes - to jump on the bandwagon of social responsibility, and to think about strategies, methods, tools which might help them implement their commitments to social responsibility.

One good example of this trend is CSR Europe (Corporate Social Responsibility in Europe), a European corporate network formerly known as the European Business Network for Social Cohesion (EBNSC). [4]

Trade Unions

Due to the role they play in the negotiation of agreements with companies, the position of trade unions is particular. They are notably concerned with working conditions and the promotion of labour rights, such as freedom of association and collective bargaining. They usually prefer collective agreements and laws to voluntary codes of conduct and other statements of intent.
We should also remember that trade unions took an active part in the development of many international standards applicable to multinational companies, through ILO instruments such as the conventions and recommendations.

For trade unions the most efficient and democratic instrument to protect workers and improve working conditions is the agreement based on collective bargaining. They strongly criticise the certification standardised by the market as they consider that transparency and independence are not guaranteed.

The context of Northern trade unions - their place, and their role in the monitoring of the corporations' compliance with their commitments - cannot be compared with the context of Southern trade unions. Even if we think that they are in the best position to induce improve-

[4] *Corporate Social Responsibility – Europe: www.ebnsc.org*

ment in working conditions that do not comply with social standards, the freedom of action of Southern trade unions is everything but obvious. They have organisational difficulties; workers' associations and collective bargaining are non-existent or prohibited; there is no training scheme to inform workers about their fundamental rights; the first people concerned are not informed about the social commitments made by the company they work in (the code of conduct is neither handed out, nor displayed, or is written in a language workers don't understand); while even the legitimacy of some unions is questionable. This means that everything that is said or done in the North simply can't be transposed in the South.

As trade unions are hardly recognised in Southern countries, the role they can play – or that we would like to see them play – can be limited in certain cases, notably in the education of workers and in workers' involvement in the formulation and implementation of codes of conduct.

NGOs

Organisations – whether it be human rights, development, or consumers' organisations – can influence corporate social responsibility in several respects. They have been campaigning for years to denounce situations in which human rights are violated. With the support of consumers and trade unions, they have put pressure on corporations that flout the workers' social rights. They have now started negotiating with companies and governments to urge companies to include, and commit themselves to complying with, rights that are too often overlooked in their voluntary agreements, such as the freedom of association and collective bargaining, and to accept the independent monitoring of the implementation of these voluntary agreements. NGOs and trade unions are promoting the adoption of easily verifiable and understandable codes based on international standards. But their role as observers and witnesses of situations in which companies disregard the commitments they made still remains necessary.

Dialogue plays a major role in NGOs' actions, because it is an efficient way of achieving results. Moreover, the publicity that NGOs' campaigns attract allows trade unions to achieve aims they share with NGOs.

Negotiations on codes of conduct may involve Northern NGOs, since companies usually have their headquarters and their consumers in industrialised countries. Northern NGOs have more "resources" than Southern ones. In many cases, the local Southern NGOs have globally the same difficulty as Southern trade unions in working efficiently when they are hardly tolerated by the local authorities.

NGOs are more and more taking part in negotiations with companies, together with trade unions. They act as a goad to bring about codes of conduct, to talk companies into adopting more socially-responsible behaviour, and to improve dialogue. They can also take part in the monitoring of the implementation of the codes, but their power remains limited. They don't have the power, for instance, to impose sanctions on corporations when these flout agreements or any other voluntary initiative.
NGOs need the governments' support in order to define the guidelines that must be respected. Governments, however, increasingly palm this role off on NGOs, suggesting they negotiate limits directly with companies through codes of conduct. But does that mean that NGOs must fill the vacuum created by the authorities' attitude?

Governments

The power to set rules lies with the states, whether it be at national, European, or international level. States also have the power to monitor the enforcement of regulations through labour inspectorates.

The government's role is also to act as a conciliator. Its intervention allows – or should allow – antagonisms to be overcome between the different parties' interests in a way that would satisfy the public interest.

In the most developed countries, governments also define development cooperation policies which may overlap the objectives of the social and economic policies.

Voluntary initiatives in the social field: many forms and many players

There are many voluntary initiatives and they come in different forms. There is also a great variety of people initiating them and people taking part in them. Voluntary agreements, commitments, charters, codes of conduct, labels, etc... Here are a few examples:

Agreements

An agreement must be understood here as an initiative made by one of the following partners: companies, trade unions, NGOs, or governments, but which has been negotiated and/or recognised by the authorities. Several examples of such agreements are given here:

The Global Compact is an initiative launched by the UN Secretary General, Kofi Annan. The agreement is based on nine principles and aims to encourage world business leaders to commit themselves to, and respect in their corporate practices, the relevant public policies in the fields of Human, Labour, and Environmental Rights.[5] The World Business Council for Sustainable Development (WBCSD)[6] has undertaken to promote the agreement.

The European Code of conduct in the textile/apparel industry was signed in 1997 by EURATEX (European Apparel and Textile Organisation) and the ETUF: TCL (European Trade Union Federation - Textiles, Clothing and Leather). The code is a charter by the social partners in the European textile and clothing sector within the framework of the social sectoral dialogue at European level. The social partners ask for "fair and open world-wide trade". It includes the following ILO conventions: ban on forced labour, freedom of association and right to negotiate, ban on child labour, non-discrimination of employment. This code covers nearly 70% of the European companies in the sector.

Codes of conduct

In order to remain critical among the "display" of codes of conduct and other initiatives, it is important to understand, on the one hand, what the initiators' motives are, and, on the other hand, what their effects are on the achievement of the aims. In the United States, 80% of the largest companies have a code of conduct, but each of them has a code of their own making. The profusion of codes of conduct and the structuring of the market in some sectors (highly

[5] *Global Compact, agreement initiated by the UN Secretary General, Kofi Annan: www.unglobalcompact.com*

[6] *World Business Council for Sustainable Development: www.wbcsd.org*

segmented chain of production and great number of subcontractors) make the situation confused for the implementation of and compliance with the codes of conduct. As some subcontractors work for several principals, they apply different codes of conduct according to the product line.

The International Labour Office (ILO) has examined 200 different codes of conduct: less than 33% refer to ILO core standards, 45% focus on child labour (but with great difference in minimum age) and only 15% mention freedom of association.

International Labour Office [7]

Codes of conduct can be initiated by different stakeholders. Several examples are given here:

ICFTU Code of conduct: in 1997 ICFTU (International Confederation of Free Trade Unions) [8] adopted a list of minimum labour standards based on the ILO conventions which could be included in codes of conduct. The list considers the practices not only of multinational companies, but also of franchisees, licensees, subcontractors and main suppliers.

Code of conduct of the "Clean Clothes Campaign": initiated in the Netherlands, the ten-year-old "Clean Clothes Campaign" (CCC) [9], aims at socially "clean" garment production. It is supported by many consumers' organisations, trade unions, researchers, solidarity groups and other organisations, and works in close collaboration with partners in producing countries. The standards of the CCC code of conduct are similar to the ICFTU standards.

ETI Code of conduct: The ETI (Ethical Trading Initiative) [10] was initiated by NGOs in the United-Kingdom. It is an alliance of NGOs, trade unions and corporations that is supported financially by the state. Its code of conduct is based on the same international conventions as the above standards. ETI is mainly committed to developing the implementation of codes of conduct and ethical trade.

Codes of conduct, regulations and trends

These initiatives, which were initially closer to statements of intent, have shown their limits, since measurable effects on the improvement of working conditions are few. This, then, gives rise to the central question again: how is it possible to make these initiatives more binding? As codes of conduct are not legally binding, is the focus of the issue of compliance with social standards not shifted by forcing companies to guarantee social justice instead of the states?

Between the intention of complying with the law and the actual compliance with it, there is quite a difference. The certification initiated by the private sector, such as ISO standards (from the International Standardisation Organisation), allows a company to display its intention to comply with the law if it didn't previously, but it is not an exclusive criterion to obtain the certification. This is one of the differences between the ISO 14001 environmental standard and the European regulation EMAS (Eco-Management and Audit Scheme). Whereas the ISO sys-

[7] *Tour d' horizon des faits nouveaux dans le monde et des activités concernant les codes de conduct, le "label" social et d' autres initiatives émanant du secteur privé en rapport avec des questions sociales. ILO 1998.*

[8] *ICFTU Code of conduct: www.icftu.org*

[9] *Clean Clothes Campaign: www.cleanclothes.org*

[10] *Ethical Trading Initiative (ETI): www.ethicaltrade.org*

How significant is a code of conduct in Nicaragua?

According to Joseph Rivera, a member of MEC - a NGO that supports women who work in the maquilas in Nicaragua - "the most important element is still to implement the code of conduct; it is a step forward that must be followed by legal reforms".

Clean Clothes Campaign.[11]

tem accepts that the company "intends to comply with the law", the EU system requires as a prerequisite that the company complies with the environmental regulations in force in the country concerned.

A statement of intent is not enough, neither for the first people concerned, i.e. the workers, who have been saying this since the first code was drawn up - and they are in the best position to see whether the actual results are in accordance with the statement; nor for public opinion which has also been fostering the development of these codes. Moreover, the standardisation of the codes is absolutely necessary, provided it is done within a framework that guarantees transparency and credibility to all. This standardisation however also bears the risk of bringing down towards a minimum level more ambitious corporate initiatives that want to go further.

Standardisation of the codes of conduct

The sharp increase in the number of codes of conduct and the great diversity of their content inevitably gives rise to the need for standardisation, the framework and legitimacy of which still demand to be defined.
Such initiatives have already been made. Two examples are given here:
The SA 8000 standard - SA stands for Social Accountability - is the 'ethical' equivalent of the ISO 9000 quality standards, and the ISO 14000 environmental standards.
It is a voluntary standard which was created in 1997 in the United States by the Council on Economic Priorities Accreditation Agency (CEPAA), today known as SAI (Social Accountability International)[12].
This organisation is mostly made up of business people (mostly major companies), with a very small number of people from trade union groups, human rights associations, and academics.

Its social standards are based on the standards of the ILO international conventions, the Universal Declaration of Human Rights, and the Convention on the Rights of the Child. The SA 8000 standard can be applied to all companies in all sectors and in all countries, but it doesn't cover homeworkers in the informal sector.

The AA 1000 standard was created in 1999 by AccountAbility [14], the Institute of Social and Ethical Accountability, founded in 1996 and based in the United Kingdom, but which operates globally. This institute is committed to fostering social responsibility and ethical behaviour in business and non-profit organisations. It "provides both a framework that companies can use to improve their ethical performance, and a means for others to judge the validity of ethical claims made".

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[11] *Clean Clothes Campaign, (www.cleanclothes.org). Report of the seminar "Education of workers and information about codes of conduct." Mülheim, Germany, 13-15 December 1999.*

[12] *Norm SA 8000, Social Accountability International: www.SA-Intl.org*

Labels

The label provides consumers with the guarantee that a series of criteria are respected - as regards a product or service - through independent monitoring. For the company the label is a communication tool: it provides information about the way its product has been manufactured. The label appears on the product, i.e. a company can have a label on one of its products, but is not obliged to have it for all of them.

Some labels specify the origin of the products, some forbid the use of a particular substance, some deal with the way the product has been manufactured, etc. But labels are trendy now, and their number is increasing sharply, so that it gets quite confusing for consumers. When consumers do their shopping and have to make their choice, they have very little time and they demand some quickly accessible and understandable information. The label must enable them to pick out among a category of products those that have a limited negative impact on working conditions, health, or the environment.

The SA 8000 as Chinese workers see it

By October 2000, 61 production sites had been SA 8000 certified and monitored every six months. Two sites have been withdrawn from the list of certified facilities following inspections triggered by complaints.

But according to evidence collected in China by the HKCIC - Hong Kong Christian Industrial Committee - a lot of workers think that it is a series of rules they have to comply with; some sanction mechanism rather than something aimed at protecting them. Workers sometimes think that SA 8000 deals with health; in other cases, the management explained to workers that, from then on, they had to do in 8 hours what they did before in 12 hours and that if they didn't achieve that, their wages would be reduced.

Newsletter "Vêtements propres" [13]

How can we address the growing concern among consumers about the conditions under which products are manufactured, as well as their demand for information that would allow them to choose accordingly? As far as social conditions are concerned, this need for information creates the necessity of formulating criteria and monitoring them, then of determining the companies that comply with them. That's why consumers encourage the elaboration of codes of conduct or any other form of initiative that would allow them to have guarantees on the conditions of production. There have also been initiatives in parliaments. At the European level Richard Howitt has introduced a resolution aiming at setting up a code of conduct for European corporations. In Belgium Dirk Vander Maelen has brought forward a proposal for a law on a label rewarding socially responsible production.

Another point is that only those enterprises applying for a label will get one; this does not mean that those who have none are not complying. Labels make it difficult for smaller enterprises, as they bind many human and financial resources in putting together the documentation. Up till now there is no real incentive for those smaller enterprises who'd like to get labelled. Only the richer companies, those who build on a long-term return of this investment or those who have understood the advantages of an open communication towards their consumers start with the process.

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[13] *SA 8000: une norme sociale au bénéfice des travailleurs du Sud ou des multinationales du Nord? Alexia Zeegers. Lettre Vêtements propres n°7 - December 2000. Belgium.*

[14] *Norm AA 1000, AccountAbility: www.acountability.org.uk*

Compliance with codes of conduct

In a survey on the compliance with its own code among 11 of its 14 member companies, the ETI (Ethical Trading Initiative) assessed 1,183 suppliers. 66% did not comply with the code, mainly as far as working hours, minimum living wage, health and safety, and freedom of association were concerned.

Ethical Trading Initiative. [15]

Results of voluntary initiatives: what is the state of affairs?

One global observation that can be made is that working conditions haven't really improved.
The efficiency of codes of conduct is controversial, while field studies still uncover sweatshop practices in corporate production activities.

Besides this observation, the development of voluntary initiatives has triggered positive as well as negative effects:

Positive impact: contacts are being established between Northern and Southern organisations, thanks to the Clean Clothes Campaign and the networks of each participating organisation, and thanks to the opportunities of fast communications offered by the Internet. These contacts allow NGOs to strengthen the monitoring of voluntary initiatives and to draw attention to the current weakness of independent monitoring and verification.

Negative impact: corporations that commit themselves to respecting a code of conduct or some ILO conventions, "shift risks". This is an indirect effect for which they are not solely responsible. They don't hire child workers any more, for instance, but these children end up in even more clandestine and hazardous activities (e.g. the footballs in Sialkot) simply because their families, whose parents don't earn a living wage (not a legal minimum wage) for their work, are eventually forced to accept that their children work at all costs, even if that means more hazardous working conditions and lower wages.
Another consequence needs to be mentioned: Through codes of conduct imposed by the big corporations sub-contractors are faced not only with many demands which they are not prepared to meet but also with many different codes of conduct.
A supplier of shoes, for example, can thus find himself in a situation where some of his customers will force him to prohibit child labour, whereas others will not.

Little improvement in working conditions

A government survey carried out in 70 textile workshops in Los Angeles, United States, in 1998 revealed that compliance with the main labour standards (child labour, minimum wages, overtime, etc.) had remained significantly unchanged for six years, while the number of monitored companies had almost doubled between 1996 and 1998, and schemes had been set up in cooperation with the textile industry in order to verify the implementation of labour laws in the companies of the sector.

Sweatshop Watch. [16]

[15] *Ethical Trading Initiative (ETI): www.ethicaltrade.org*

[16] *Sweatshop Watch (www.sweatshopwatch.org). Sweatshop Accountability Campaign. Support the bills to stop sweatshops and clean up the underground economy.*

What prospects and how to achieve better results?

Codes of conduct must not be only aimed at meeting the Northern consumers' need for ethics. They should be regarded as a starting point to goad companies into action rather than an alternative to regulations. Their negotiation and acceptance by the relevant parties must give rise to some framework allowing the establishment of clear and complete criteria. It is urgent that implementation and independent monitoring are achieved in a reasonable amount of time, so as to trigger change and avoid ending up in the same situation as the one that characterises laws and regulations, which needed long years of negotiations only to be still largely flouted.

Convene all the stakeholders

Charters, commitments, codes of conduct, or any other voluntary initiative,... their names suit them well. They are voluntary, and, as such, only bind their initiators morally. To break away from the regulatory "constraint", and make sure that those initiatives are not just idle talk, all the stakeholders must be invited to take part in the formulation of their content, as well as in the implementation and its monitoring.

As far as workers' rights are concerned, this means that workers must be negotiating partners, simply because they are the first people concerned. This may seem obvious to some people, but this is far from being obvious in the field. First, workers must have the chance to be informed of the code of conduct: this can be easily achieved, for instance, by putting up the code of conduct - written in the workers' own language - at the workplace, where it is accessible to all. Workers must also have means to take action as regards codes of conduct. They must have, for instance, the opportunity to organise in order to discuss the code and to profit from structures allowing them to have somebody within the company who listens to them and takes their remarks into account when commitments made in the code are disregarded. Workers must also be informed of the national legislation.

If we can say that structures allowing workers to make themselves heard exist in the North, it remains a major problem in the South.

Measuring, comparing, verifying

In order to analyse the contribution of codes of conduct to the improvement of working conditions, to compare their efficiency, and to verify their implementation, measuring criteria are necessary. Several initiatives are being developed in this field. Some examples are given here:

- When the French institute Arese (Analyses et recherches sociales et environnementales sur les entreprises), set up in 1997 for assessing companies for ethical investment funds, started to do social and environmental research, only 20% of the companies agreed to answer their questions. Today, the figure is up to 80%. Companies are now starting to consider it more risky for them not to answer.
- The Corporate Social Responsibility in Europe (CSR Europe), the above-mentioned European network of private companies, proposes a benchmarking tool, called CSR Matrix, on communication and social reporting to help companies to base their communication strategies on social responsibility.
- The Global Reporting Initiative (GRI) is an international initiative involving different stake-

holders - corporations, governments, NGOs. It is aimed at strengthening the comparability and credibility of the practices of reporting on the economic, environmental and social impacts of corporate activities.

The role of the States

Within the framework of the governments' loss of power over legislation and regulations, there are, however, other ways that could support and facilitate the monitoring of initiatives made by companies, NGOs, or trade unions and the implementation of voluntary initiatives.

The drawing up of an annual social report - similar to the annual balance sheet - based on precise standards (framework and content), would allow, for instance, a clearer idea of corporate social policies and comparison of measures taken by different companies, as well as their respective results more objectively. Such a report obviously presupposes the definition of sufficiently precise indicators that would reflect reality. Moreover, it must be drawn up in cooperation with the social partners.

Besides regulatory and tax measures, states can also encourage companies to comply with social and environmental standards through the introduction of social and environmental provisions in public procurement and public orders, as a way of setting an example.

Communicating, informing, training

While stakeholders should be invited to take part in the development of these initiatives, relevant information and training on the how and why of these would only strengthen the expected results.

Training of Southern workers and education in their rights are sorely lacking, which explains in part - but not totally - why their claims are weak. The collective labour organisation in the textile sector, for instance, makes the satisfaction of this educational need even more difficult especially for women working at home. How to organise education and training for such an informal sector isn't obvious at all.

How can homeworkers be informed of their rights?

At local level, associations in the textile sector such as AEKTA in the West Midlands, in the United Kingdom, use different channels to inform employees - mostly women - in their own language as these women are usually from Asian origin: media, minority radios, newsletters, etc.

Homenet is an organisation committed to creating links between homeworkers' associations. The initial programme was based on ILO conventions. The international network has been developed since 1996 in order to promote support and exchanges between homeworkers. The newsletter is their main communication tool.

Clean Clothes Campaign [17]

Conclusion

Voluntary initiatives are many and extremely varied, especially when they are initiated by companies. But they are seldom put into concrete form.

As they are the result of a compromise, some initiatives may be insufficient, and we must pay

[17] *Social-Environnement. Les entreprises au banc d' essai. Alternatives Economiques. N°185, October 2000.*

attention not to overestimate them when the companies that initiated them only follow their own logic and only comply, at best, with what is imposed by law.

Voluntary initiatives that do more than the legal minimum, however, are to be encouraged, as the publicity they attract is likely to spur companies that don't do much to follow the example of pro-active companies, and to do more than the legal minimum.

Fair Trade NGOs, Human Rights' and consumers' organisations can put pressure on companies to bring them to comply with criteria that are close to their hearts, but the authorities' legitimacy is greater to call corporations to account on compliance with regulations.
NGOs can denounce violations of regulations but they are powerless to impose sanctions on corporations when fundamental rights are violated. They can only impose moral sanctions on them, which, in some cases, can be prejudicial to the company's interests as it tarnishes its corporate image.
Finally, they can take part in the follow-up and monitoring of the implementation of voluntary initiatives inasmuch as their position is clearly accepted and defined.

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4 Coffee

The Speculators' Plaything

David Renkema
with contributions from Mark Huis in 't Veld, Bart Ensing and Wendel Trio

This surely won't have escaped the price-conscious newspaper reader. The price of coffee has - after a relatively unexpected rise in 1997 - collapsed once again. At the end of 1999, some sort of recovery seemed to take shape, but there wasn't any actual increase. Instead prices have gone down to historical lows reaching 40 US cents per pound in October 2001, a price far below the production cost of coffee. This has had extreme effects on millions of small coffee farmers, many of them having to give up their coffee crops and farms.

It is estimated that in Honduras alone approximately 100,000 farmers will have left their farms by the end of 2001. And the Guatemalan government is expected to lose 300 million dollars in revenues due to the coffee crisis in 2001. Reports from Chiapas, Mexico, state that 500 coffee farmers a week are fleeing to the cities and the US to look for a new life. And in Tanzania many coffee farmers can no longer afford the fees to send their children to school.

Less and less of the coffee trade revenues remains in the producing countries. In the 1980s, when the market was stabilised internationally, consumers spent an average of $30 billion a year for their coffee, with producing countries receiving $9-10 billion of this (30-33%). Today $ 55 billion is being spent on coffee every year, of which only $7 billion stays in the producing countries (15%).

Speculators impose a free coffee market

Until 1989 the coffee market had been relatively calm. Coffee prices actually reached record levels in the seasons 1976/1977 and 1985/1986 because of the frost in Brazil, but between these periods the market remained reasonably stable. That was notably due to the International Coffee Agreement (ICA) that ensured the stability of the coffee market through

International Coffee Agreements - ICA

Since 1962 coffee-consuming and coffee-producing countries have reached six International Coffee Agreements (ICA). The first four aimed specifically at stabilising the coffee prices. This worked as follows. If the market price fell below a set price, a quota regulation system came into operation and the producing countries could not export more coffee than their respective quota. This mechanism was an attempt to set a bottom price. But the fourth agreement collapsed in 1989. The producing countries could no longer agree on the distribution of the export quotas, notably because several countries had emerged as new coffee producers. Another problem was that part of the coffee was traded outside the scope of the Agreement. Consuming countries in Eastern Europe and the Middle East, that were not members of the International Coffee Organisation (ICO), could thus import relatively cheap coffee. The other consuming countries, the ICO members, wished to stop this situation of two coffee markets - with one 'member' market and one 'non-member' market. They also wanted to modify the distribution of quota among the different sorts of coffee. All that proved to be too much for the ICO on 4th July, 1989. Since then we can talk about a free coffee market. As a matter of fact, the ICO members reached an agreement in October 1994, but this fifth Agreement didn't have any instrument enabling it to intervene in the market. The ICO is now a platform where producing and consuming countries can meet and is as such an important source of information about the developments in the coffee market. In October 2000 a new International Coffee Agreement was negotiated which came into effect in September 2001. Despite the serious crisis the coffee sector was facing, no proposal was made during the negotiation process to re-establish some kind of price regulation.

Association of Coffee-Producing Countries - ACPC

Forced by the low price level of the previous years, some exporting countries agreed in 1993 to implement so-called voluntary export restrictions. This 'Association of Coffee-Producing Countries' (ACPC) initially had 28 members and represented around 85% of the total coffee production. Later (in April 1994) 'newcomer' Indonesia joined too. But some coffee-exporting countries are not members. Mexico isn't, for instance, partly because its most important trade partner - the U.S.A. - is a fierce opponent of such a violation of the free market mechanisms. Since 1993 the ACPC has regularly resolved to go for export limitations. Most of the time (as in 1993, 1995 and 1996) in order to reverse a downward trend. But sometimes - as at the beginning of 1997 - to strengthen an ongoing upward trend. Experts argue about the effects of export limitations. Because, although the forward markets always react immediately, even as soon as an export limitation is announced, their impact vanishes after some time, usually quite rapidly. In early 2000, as a response to the new crisis, the ACPC agreed on a new retention scheme based on the provision that all coffee producing countries would keep 20 % of its produce off the market until the prices would raise substantially. Only a few countries however did really live up to their promises and after almost two years of trying to get the retention scheme started (without any success) the scheme was abandoned. The whole project has been a failure for the ACPC and might possibly lead to its collapse in the near future.

fixed export quotas. Extremely low prices could thus be avoided. The 'independence day' for the coffee market fell on 4th July, 1989. Consuming and producing countries could not agree on the conditions of a new agreement and on the distribution of the export quota. The quota system collapsed. That meant deregulation of the market: for the first time in 27 years the free forces of supply and demand determined the market. The coffee-producing countries almost immediately dumped the stocks they had accumulated on the market. Result: a free fall in the coffee prices, with a record bottom price in the autumn 1992, when arabica coffee plunged even below the 50 US cents per pound mark in the stock market in New York - a level similar to that of the thirties.

The prices got back on their feet only in the second half of 1993. The impetus was given by an export restriction from the ACPC, the association of coffee-producing countries. When the coffee harvests turned out badly in the season 1993/1994, as a consequence of the low prices of the previous years, the prices kept rising. Two consecutive night frosts in Brazil put oil on the fire and in a few weeks the prices broke the records again. In September 1994 arabica coffee passed the 250 US cents mark in New York, i.e. five times as much as in 1992! Only to plunge again later in the year, when it became obvious that there would be no shortage. Except for some short-lived recoveries, the prices kept falling until 1996. After the high prices in 1994 and 1995 coffee traders counted on a

Coffee import tariffs EU (in %)

	1995	2000
Green	4.0	0.0
Green and decaffeinated	12.2	8.3
Roasted	13.8	7.5
Roasted and decaffeinated	16.5	9.0
Substitutes containing coffee	16.9	11.5

Source: European Commission, DG Environment

sharp increase in the production and on an equally sharp fall in the prices. But then what nobody had expected happened at the beginning of 1997: the coffee prices skyrocketed within a few weeks. This time the rise had been sparked off by speculators in the coffee market. Investment funds had been attracted by the low prices in 1996 and they bought coffee contracts massively. This was a "self-fulfilling prophecy", as their purchase immediately pushed up the prices in the 'wavering' coffee market. Wavering, because since the 1994/1995 rise, the stocks of trade and companies had steeply declined. Incidents such as bad harvests in the low coffee regions of Central America, a strike in a Columbian harbour (second coffee country in the world), the announcement made by the Association of Coffee-Producing Countries (ACPC) of its intention to restrict export, and wrongly estimated harvests in Brazil (first coffee country in the world), triggered a big panic in the coffee market and extreme price rises. Speculators, as always very active in hectic markets, pulled out all the stops. Prices yo-yoed up and down. Big and small coffee farmers got nervous and wanted to convert their coffee into cash as quickly as possible. And the coffee traders bought every kilo of coffee they could get their hands on. In May 1997 the arabica coffee price passed the 300 US cents mark in the futures market of New York, the highest price in 20 years and nearly three times as much as in December 1996. In June, after speculators had pocketed their profit, the prices fell again below 200 US cents. Afterwards the market remained tense, prices fluctuated between 150 and 200 US cents in 1997, still somewhat higher than the previous year's. But in 1998 and 1999 the prices kept falling until below 100 US cents, reaching an all-time low below 50 US cents at the end of 2001.

Trading companies

The coffee trade is dominated by a few major international companies. An élite of some 20 corporations controls more than three quarters of the coffee trade. Only one of them comes from a producing country. The biggest traders are Neuman Kaffee (Germany), Volcafé (Switzerland), Cargill (United States), Esteve (Brazil/Switzerland), Aron (United States), ED&F Man (United Kingdom), Dreyfus (France) and Mitsubishi (Japan). Together they have a market share of 56%. Besides, some big coffee merchants (i.e. companies roasting the coffee), such as Sara Lee/DE and Nestlé, have their own trading firms. These companies control the whole coffee route, from the harvest to the consumer, thanks to the lead they have secured in knowledge, trade agreements, etc. They often pay less than the world market price, because they can negotiate lower prices through 'special deals'.

It seems that fluctuations are almost inherent in the coffee market. High prices act as an incentive to maintain the coffee trees in a better shape and to plant new trees, at least for the farmers and planters who have the financial means to do so. After a few years such investments result in a larger supply, which puts the prices under pressure. Low prices in their turn trigger carelessness, which leads to a lower supply. Then the cycle starts again. But it is too easy to ascribe price variations only to the law of supply and demand. Because, although nearly each price increase or decrease has its roots in a 'physical' situation, big financial investors have had a growing influence on the coffee prices since the free market was born in 1989. Whenever coffee prices are low and a shortage is expected, as at the beginning of 1994 and 1997, investors rush into the coffee market with big money. They are not so much interested in the coffee itself, but they speculate purely because they expect to resell the coffee

with a big profit after some time. Their sudden large 'demand' automatically pushes up the prices. Until they decide to pocket their profit, then the prices collapse again like a house of cards. Speculators thus intensify the 'natural' price fluctuations, whether upwards or downwards. And sometimes, as in 1994, they actually control the prices. Because, although the prices tripled in three months, there was no talk of a real shortage of coffee. The bitter side of this story is that producers hardly learn anything from it, and consumers absolutely nothing. Speculators have always had a function in the coffee market. Coffee traders and companies who want to protect themselves from the riskiness of fluctuating prices, need counterparts who are ready to take the risks. But the recent evolution seems to show that the forward market has started living its own life; any connection with the physical market has indeed time and again been completely lost.

With prices going below 50 US cents per pound it became clear that something had to be done. Several NGOs started to plead for some kind of market intervention since the free market was not able to solve the problem. This issue however was not on the negotiating table. The Colombian government then took some initiatives, calling on US-president Bush to participate in the negotiation of a new International Coffee Agreement. It further succeeded in getting

A code of conduct in the coffee sector

Socially responsible business - ethical trade - is fashionable. Companies are getting aware of their responsibility for the working conditions in their suppliers' companies and are formulating codes of conduct. But the coffee sector seems to be unaffected by this trend. In the United States, only one chain of coffee bars (Starbucks) has drawn up some sort of code under the pressure of activist groups, and in Europe, there is not much movement to be observed yet.

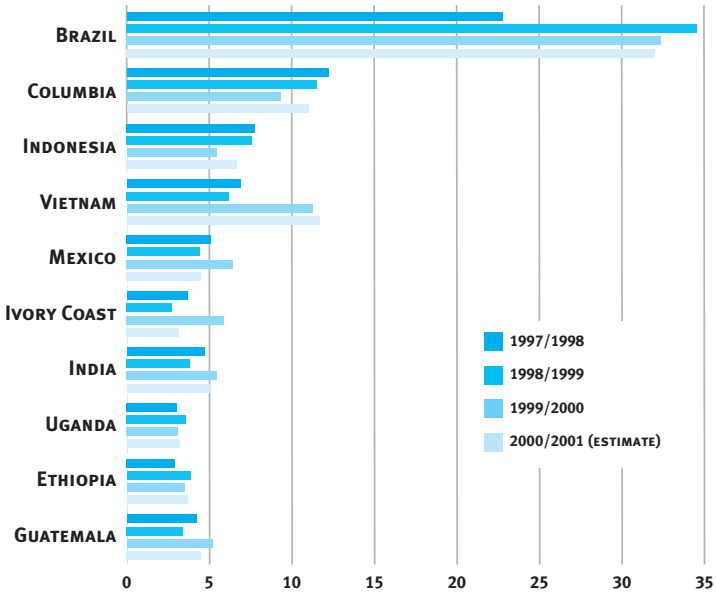
But change is dawning. The Fair Trade Organisatie has been investigating the working conditions in coffee plantations in Guatemala. These appear to be still shocking: underpayment, hard and hazardous labour, child labour, poor housing conditions and health care, no union rights. The Fair Trade Organisatie started discussing with coffee merchants and coffee traders. Several Dutch organisations set up a workgroup that joined forces. The European Fair Trade Association (EFTA) has also a share in this initiative. They went together to meet the European association of coffee merchants and traders, the European Coffee Federation (ECF), to promote their views. The outcome was that corporate social responsibility is now on the agenda of ECF and of the Private Sector Consultative Board (PSCB), the corporate representative at the International Coffee Organisation.

In the near future the Dutch workgroup and EFTA will keep a critical eye on coffee traders' activities. They advocate a substantial code of conduct in which companies guarantee their compliance with the requirements regarding working and living conditions in coffee plantations. The objective of such a code - really better conditions in coffee plantations - is what matters. A basic prerequisite for the success of such an initiative is to get the active collaboration of unions and social organisations that work in and around coffee plantations. The Dutch workgroup focuses therefore first on developing and strengthening contacts with these organisations.

13 Latin American countries to join this request through the Declaration of Quebec, negotiated on the occasion of the FTAA (Free Trade Area of the Americas) meeting in April 2001.

The Declaration unfortunately was not really taken up during the ICO's first International Coffee Conference in May 2001. The Conference, while recognising there was some kind of a problem did not come up with short or longer-term solutions for the coffee crisis. The only accepted approach was to increase emphasis on producing and trading higher quality coffee.

World coffee production: 10 most important countries
(million bags of 60 kg)



Source: ICO

At the ICO meeting in September of 2001 Oxfam International was invited to present its proposals, amongst which the re-establishment of some form of market regulation, as was a Swiss trader who proposed the establishment of a Coffee fund. This fund would have to be financed by a voluntary trade tax to be paid by the roasters, which they in general tend to reject.

However the roasters are the real winners of the current coffee crisis. Figures from UNCTAD have shown that despite the average drop of raw coffee prices by 18 % between 1975 and 1993, the consumer price has risen by 240 %. The coffee price crisis of the last two years has had little impact on the retail prices of coffee. Thus the profits of a few multinationals have increased tremendously. It is said that the coffee industry has gained $8 billion from the current coffee crisis.

Training in market sensitivity

Coffee is the most important trade crop in the Third World. All in all more than 20 million farmers and their families in the Third World depend on coffee. Most of the time it is their only significant source of income. The countries are likewise dependent. For nearly a dozen of East African countries, coffee is the first export product. Uganda, Burundi, Rwanda and Ethiopia take the biscuit. All these countries depend on coffee for more than half of their exports. In a lot of Central American countries too, coffee is the vital principle of the economy. Such a situation is unhealthy, seeing the unpredictability of the coffee market. For some of the biggest coffee-producing countries in the world, Brazil and Columbia, coffee is relatively less impor-

Investing in quality

Prodecoop is a young coffee-export organisation in Nicaragua that gives access to the export market to coffee producers. Its main customers are Fair Trade organisations. Manager Merling Preza Ramos is clear about the success achieved by her company: 'Better conditions for the producers'. But that does not mean that she is satisfied: 'This is simply not enough. A better pay is far from being enough. The coffee plantations have grown very old' but it costs a lot to replace old coffee trees. Each village should have its nursery garden, which entails investing in seeds, compost and water supply. The farmers need training. Moreover replacing old trees always results first in a loss of income. Coffee seedlings bear fruit only after a few years. Hurricane Mitch unexpectedly offered a solution. Thanks to the intervention of Fair Trade, part of the funds that were raised by the international community for rehabilitation could be used to renew the coffee production. Together with Fair Trade Assistance, Prodecoop has developed a strategy. Hurricane Mitch has brought misfortune, but something good too.

tant: less than 10% of their export earnings comes from coffee. Asian countries are relatively young players in the coffee market. But countries like Indonesia, Vietnam and India have carved out an important position for themselves. Recently Vietnam has even become the second largest coffee producer in the world.

High coffee prices are naturally favourable to producers. But the benefits of a sudden rise in the prices are first of all pocketed by the traders or the speculators who own the coffee at that moment, either physically or on paper. Small farmers seldom benefit from it. As they need the money badly, they sell their coffee as fast as they can, sometimes when the beans are still hanging at the trees. They are certainly not in a position to negotiate the best prices, even less to wait for better times. When coffee prices are high, they are tempted to sell their harvest to individual purchasers, rather than to their cooperative. These individual traders pay cash down. The cooperatives may eventually give a higher price, but pay it later. If on the contrary prices are low, then the farmers turn again towards the cooperative to sell their coffee. For the cooperative such a situation is not advantageous.

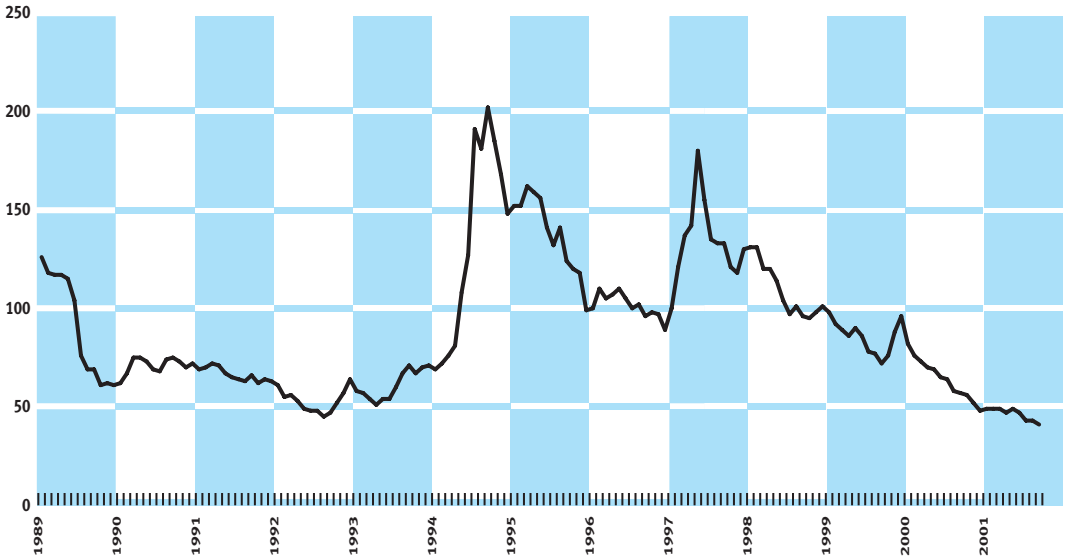
The position of coffee cooperatives does not only depend on the more or less random coffee prices and the possible outlets these prices allow. They can strengthen their position by paying particular attention to building the production capacity and improving the management. Thanks to good investments in coffee processing and to improved production capacity, the quality and quantity of the production can increase. Specific training, in the field of management as well, could strengthen further the position of the cooperatives. Fair Trade Assistance can take charge of the training through a 'train the trainer project'. This is the case for instance in the cooperative Esmeralda in Guatemala. The cooperative has the means to pay for part of the costs. Training in market sensitivity will in time probably be more important than good prices.

Wanted: a minimum for farmers

For the coffee farmers, the cooperatives, the plantation workers and even for most of the coffee-exporting countries, the global coffee market is a tough thing. They are unable to influence the prices, while they are - directly or indirectly - affected by the effects of their fluctuations. In the past, attempts were made to curb these fluctuations. Until 1989, the International Coffee Agreement had had a mechanism to avoid too sharp price decreases. It was reasonably successful, although it triggered unintentional side effects too. Newcomers in the coffee market were turned away. Coffee merchants could not always get their hands on the sorts of coffee they wanted. Two coffee markets with different prices eventually emerged: a market regulated by the provisions of the Coffee Agreement and an unregulated market. All in all it became impossible to go on regulating the price. But consequently the coffee prices plunged dramatically.
This attempt to stabilise the coffee prices proved unsustainable. Another attempt was also made to stabilise export earnings. The coffee-exporting countries are in principle entitled to claim some financial compensation if their export earnings decrease. Such a mechanism exists within the International Monetary Fund. The compensation offered is actually some sort of support to the balance of payments that is related to the volume of exports. The poverty level in the recipient country and the actual situation in the sector are not taken into consideration.

The question is whether other ways exist to curb price fluctuations in the world market and to shield coffee farmers and cooperatives from the negative effects of these fluctuations. Fair

World Coffee Price
ICA Price Indicator, US cent per pound (monthly averages)



Source: ICA

Fair Trade conditions:

- ***direct purchase:*** *the coffee always comes directly from small farmers' organisations ;*
- ***fair price:*** *a bonus of 5 US cents per pound (454 gm.) beyond the world market price, and a guaranteed minimum price (for Arabica coffee 126 US cents) ;*
- ***pre-financing:*** *credit up to maximum 60% of the selling price granted as the harvest starts ;*
- ***security:*** *annual contracts stipulating the purchase of coffee and long-term collaboration.*

Trade does shield some farmers, but obviously doesn't offer a global answer to the problem. Another partial answer, mainly promoted by the World Bank, is for the coffee farmers and their cooperatives to hedge, that is to say to trade in the forward market with the help of other intermediate organisations and thus to protect themselves from the riskiness of fluctuating prices. The cooperative Anacafé in Guatemala has chosen this market-orthodox solution, with a bank as intermediate organisation. Most analysts agree that this approach will never be of any use to most of the small farmers that are hardest hit by the current coffee price crisis. The question still remains whether some political responsibility should also be assigned.

The first political responsibility concerns the curbing of speculation. The forward market needs speculators to take the risks inherent in a fluctuating market. At the same time speculation may trigger wider price fluctuations. The dangerous speculators are the fast traders who jump from one raw material to the other. These speculators could be deterred through an increase in the so-called transaction costs. A relatively small tax on speculative transactions is often already enough to prevent the fast inflow and outflow of speculators. But there has been no political will so far to introduce a taxation on speculation. But it would obviously be the solution par excellence in order to check too sharp price fluctuations that bear no relation whatsoever with the physical supply and demand of coffee.

The second responsibility concerns the way the compensation funds are laid out. The IMF has funds to compensate for poor export earnings in developing countries. But the producers, and particularly the poorest coffee farmers, seldom benefit directly from these funds. Though the European Union has abolished the well-known STABEX fund, the new agreement with the developing countries in Africa, the Caribbean and the Pacific (ACP) also provides for support in case of fluctuating export earnings. Moreover the question is whether it is sensible to give compensation to a country for a product which is overabundant worldwide. Such funds can be better invested as uprooting and planting subsidies. Coffee prices will always be subject to fluctuations. Farmers and especially small farmers won't react quickly to these price variations. The uprooting of the trees when prices are low is not interesting, because farmers thus sacrifice a source of income for the coming years. But if you give them a subsidy to bridge the gap between those years, you achieve two things: the farmers can uproot the coffee trees without fearing to lose their income and the production really decreases as a reaction to the low prices. They can therefore choose either for another product (diversification), or for coffee. After a few years - when prices probably go upwards again - they will have improved their position thanks to the young trees. In Thailand such experiments with subsidies have already proved very positive in the rubber sector. They don't wipe out the effects of extremely low export earnings, but the existing compensation funds are at least invested for the benefit of the producers themselves.

Fair Trade coffee

Coffee has always been the most important Fair Trade product. In 1973 the Fair Trade Organisatie in the Netherlands imported the first 'fairly traded' coffee from cooperatives of small farmers in Guatemala. 25 years later Fair Trade coffee has become a concept. Meanwhile hundreds of thousands of coffee farmers have benefited from the Fair Trade in coffee. And in Europe more and more consumers drink fair coffee.

Fair Trade promotes small coffee farmers' interests. Besides the plantation workers they constitute the weakest group in the coffee sector. They hardly have a grip on market developments, neither on the local one, where they depend on middlemen, nor on the international one, where they depend on the prices defined in the world market. At both levels Fair Trade offers an alternative to farmers, with the ultimate objective that they will be able to operate autonomously in the market. By purchasing the coffee directly to farmers' organisations, Fair Trade bypasses local middlemen, who regularly take unfair advantage of their strong position towards the coffee farmers. Thanks to this direct purchase, the farmers eventually receive a higher price. Moreover, as they are now coming in direct contact with the coffee export market, they are getting a better view of the global coffee trade. With the payment of a fair price, Fair Trade counteracts the dependence on the prices in the world market. Because, in addition to a bonus of 5 US cents per pound beyond the world market price, the coffee farmers can always count on a guaranteed minimum price.
The deliberate choice of producers who are less developed makes it sometimes necessary to offer some extra assistance, namely to young organisations of farmers who don't have any experience of export. There is a wide range of different types of assistance. Technical assistance is sometimes offered in order to increase the quality of the coffee, while the stress is sometimes put on the strengthening of farmers' organisations. A crucial form of assistance is to grant credits: the organisations of small farmers can indeed hardly ever go to local banks for a loan. For investments in things such as some new coffee processing equipment or a new van, the farmers' organisations can also appeal to the Fair Trade. Some Fair Trade organisations have set up a separate programme for this kind of assistance, such as Traidcraft Exchange in Great Britain and Fair Trade Assistance in the Netherlands.

An important impetus for Fair Trade in coffee was the development of labels. Labels enable the 'traditional' traders - coffee merchants and supermarkets - to take part in fair coffee trade besides the Fair Trade organisations and World Shops. Every coffee importer or coffee merchant who meets the set standards, such as price and prefinancing, may use the label. The label on the pack enables consumers to recognise which coffee on the shelf was bought fairly. The labelling organisation monitors whether the importer and merchant comply with the

'The Smell of Coffee'

The Colombian coffee cooperative Expocafé has had the idea of a new style of coffee bar. Why could coffee farmers not be present at each stage of the chain, from the coffee beans to the coffee cup? The coffee bar 'The Smell of Coffee' in Rotterdam is owned jointly by four cooperatives. The initiative allows them and their coffee brands to come directly in contact with critical western consumers with a high purchasing power. The initiators are ambitious. They want to open 50 coffee shops like that in Europe in ten years' time.

conditions. The first label for coffee - Max Havelaar - was introduced in the Netherlands in 1988. This example was later followed in a lot of European and non-European countries, under Max Havelaar's name, or under other names such as TransFair and Fairtrade Mark.

After a very steep growth in the first half of the nineties, it seems that the progress of Fair Trade coffee has now come into quieter waters. The challenge is to maintain this upward trend for the sales figures and the market share in the coming years too.

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Tea - a Fair Cup?

5

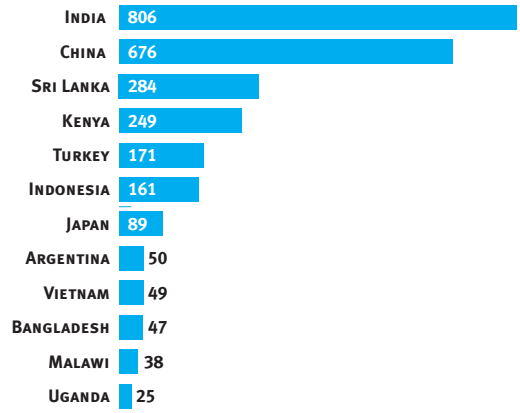
Original: Keith Stamp / Revision: Claudia Grözinger

Tea is a high volume commodity. Its fortunes can therefore affect both individual farmers and national economies, especially those of countries which are highly dependent on the export of tea.

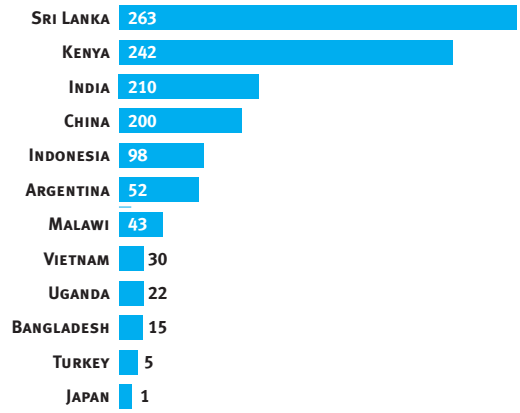
Production and world trade

Tea comes from an evergreen bush which thrives at fairly high altitude in the wetter regions of the tropics and sub tropics.
There are three types of tea classified according to the processing method:
Black tea - Fermented after plucking;

World Tea Production 1999
(thousands of tonnes)
World Total: 2,848



World Tea Exports 1999
(thousands of tonnes)
World Total: 1,272



Source: International Tea Committee Annual Bulletin of Statistics

Green Tea - Unfermented;
Oolong - Semi Fermented.

Tea originated in China but its cultivation has spread widely in Asia and Africa. The current significant producers of tea are India, China, Kenya, Sri Lanka, Turkey, Indonesia, Japan, Iran, Bangladesh, Vietnam and Malawi. Tea from the relatively young tea countries in Africa is often of high quality and stands up well in competition with the traditional tea-producing countries.

In 1999, global tea production grew to 2.848 million tonnes, from 2.497 million tonnes in 1995.

However, relative production levels in the different producer nations continue to fluctuate. Production from East Africa, particularly Kenya, is increasing rapidly. While the Kenyan crop increased by 66 percent to 246,000 tonnes in the decade to 1995, smaller tea producing nations have struggled to compete. (Mauritius closed its last tea factory in 1997.) In 1998, Kenyan tea production reached a peak of 294,000 tonnes, falling again in 1999 and in 2000.

Exports

Some producer countries consume a lot of tea themselves, and so the biggest producers are not necessarily the biggest exporters. In 1999, 44.7% of world production was exported, a slight increase compared with 1998. Asian exports were more or less stable, with small decreases from India, Sri Lanka and China in 1999. African exports continued to increase, but more slowly than in 1994/1995.

Tea produced for export is usually of a higher quality than tea produced for the home market and is also more susceptible to fluctuations in market price. This increases the risk to both farmer and exporter.

Prices

Tea prices show great variation reflecting diversity of quality. Unlike coffee, there is no single world market for tea, and prices are subject to strong fluctuations.

In 1999, India accounted for 28% of world tea production. It might be expected that this would give the country a key position in establishing tea prices, but although the quantity and quality of the Indian tea crop has some affect on tea prices, the impact is limited. Of far greater significance are the economic relationships between South and North and the power of the transnational companies. (see box)

In the early stages of economic development, exports are essential to earn foreign currency and developing countries depend on foreign exchange to finance economic and technical developments and to pay off loans. The more a producer country depends on receipts from tea exports, the more significant are tea prices for the country's future development.

Since the end of the 1970s, tea prices have hardly changed. So, in real terms, the price has dropped. F.O. Lichts World Tea Markets Monthly, December 1999, reports an effective 41% decline in the three-auction average (Colombo, Calcutta and Mombasa) between 1970 and 1998. States such as Rwanda (which earns more than 60% of its foreign exchange through the export of tea and coffee) have been particularly badly hit. Lower tea prices always eventually affect a country's less advantaged social groups through lower wages and high inflation.

In order to compensate for falling export earnings and the subsequent dwindling of purchasing power, many countries extend the area of cultivation to expand export volumes. For this reason, world-wide production of tea increased by more than 40%, between 1980 and 1990 but this has now stabilised.

Major tea producers such as India, Kenya, Malawi and Tanzania have extended their tea production while marginal tea producing nations have found it impossible to compete.

Competition has become more intense since the emergence of the African tea industry in the 1960s.

Tea is usually exported at a relatively early stage of production. Blending and packing, the most lucrative part of the tea trade, is usually done by the tea companies in the buyer country. Profits from these processes do not therefore accrue to the tea producing countries. The big money is made abroad. In Europe, 30-50% of the retail price of tea is accounted for by blending, packing, packaging materials and promotion. Many producers have tried to sell processed tea in tea bags or pre-packed consumer units, but the export of ready-for-use tea is often hampered by poor market information and the absence of funds for expensive marketing strategies.

Ownership

The history of tea as a typical colonial product is still reflected in the considerable foreign ownership of the means of production. Following independence, some countries took tea plantations into state ownership. Many of these state owned enterprises are now undergoing privatisation, (and factories have sometimes even been sold back to companies based in the former colonist country).

Like many other commodity markets, the tea industry is highly concentrated in the hands of a very few firms. The major players in the tea industry are Unilever, Hillsdown Holdings, Allied Lyons, the Co-operative Wholesale Society, James Finlay and Associated British Foods. The concentration of the industry is such that the top three firms have a 60% share of the market in the UK, 9% in France, 67% in Germany and 66% in Italy.

Large tea companies – the Transnational corporations

The price of tea is largely determined by supply and demand. Tea corporations such as Brooke-Bond Lipton Ltd, (Unilever), Lyons, Tetley and Premier Brands have a considerable influence on supply and demand and thus on the price-fixing process.

Market concentration is extremely high. 90% of Western trade is in the hands of seven transnational companies and 85% of world production is sold by transnationals. Their market power is a major determinant at tea auctions. With their buying policy, these corporations strongly influence both price movements and the demand for certain qualities of tea. Through vertical integration, they not only own plantations and processing factories but also control transport companies, shipping agencies and so on. This concentration of power, with corporations sometimes controlling the entire production process from tea bush to tea bag, offers ample scope for manipulation.

In the mid-1980s, as a response to its own crop failure, the former Soviet Union bought up large quantities of tea from India at a time when internal consumption in India was also increasing. This increase in demand caused a sharp rise in the price of Indian tea. The multinational corporations responded by temporarily refraining from buying Indian tea thus bringing the high price back down.

In order to maintain local supplies, the Indian government made two separate attempts to control the market by imposing export restrictions. It also set a minimum export price in an effort to keep prices at a profitable level.

The large tea corporations then collectively withdrew from the Indian market, with the result that nothing could be exported at all.

In the end, the Indian government had no choice but to lift the measures again.

Transnational corporations can afford such actions thanks to their high degree of flexibility, their buffer stocks and their speculative transactions. The flexibility of the companies is enhanced by deliberately reducing differences in quality. With the exception of a few quality-conscious consumer countries, a constant degeneration and adaptation of tea qualities is going on all over the world. Many tea qualities have now become interchangeable and are bought wherever they are cheapest.

Tea production

Tea is still grown as a typical plantation product, but tea plantations have both agricultural and industrial features. Work in the tea gardens is basically of a labour-intensive agricultural nature, with planting, maintenance and harvesting done by hand. In tropical areas, the tea can be picked all the year round, with most of the work being done by women. The leaves from the growing tips of the shrubs are plucked into baskets or bags which the women carry on their backs. The full baskets or bags are taken to a collection point, where they are weighed before being taken quickly to the nearby processing plant which is large-scale and industrial in character. Tea must be processed on the day it is picked. At the factory it undergoes five different treatments - withering, rolling, fermenting, drying and sorting. This processing work is fairly mechanised and accounts for only about 10% of total employment in the tea sector.

Plantation work

The economic well-being of people employed on tea plantations can differ both between and within countries. Whether tea production is in the hands of plantation owners or state enterprises, it can only survive low tea prices by paying low wages. Labour laws and minimum wages, where they exist, are often not implemented. In India, for example, the plantation sector was reformed after Independence and laws for the protection of workers were passed (Labour Plantation Act). However, enforcement of these laws is lax, and sanctions for breaking the laws are so trivial as to hardly affect plantation owners. The implementation of the laws is generally left to employers, for whom the improvement of working conditions is not normally a high priority. In South India, around the cities and on the larger plantations, the conditions are relatively good. In the North and North East, many tea pickers still live and work in miserable conditions.

The workers in the Indian tea sector are highly organised. There may, however, be strong rivalry between the various unions on tea plantations, and labour unrest thus caused is usually to the disadvantage of workers and the benefit of management. The 'elected' union leaders do not always represent the interests of the men and women who work on the plantations. Plantation workers often belong to the lowest socio-economic group and include many women and Adivasi (indigenous people), and union leaders are often outsiders from the middle classes. Some are indifferent to, or even prejudiced against women, indigenous people and unskilled labour.

Small tea farmers

Although tea is traditionally a plantation product, in many countries it is also cultivated by smaller scale producers. In Kenya, some 60% of tea comes from small farms. The cultivation of tea is attractive to small farmers because it provides work and an income throughout the year, it requires relatively little investment, and the risk of complete crop failure is small.

Small farmers may sell their crop to middlemen, to plantations or to 'bought leaf' factories - factories which buy up green leaf, process it and sell it. Prices paid for green leaf are usually low. The price paid for tea supplied by small farmers can be further depressed by its (sometimes justified) reputation for being inferior to the plantation product. It is supposed that small farmers lack the necessary know-how to pick and store the leaves and to treat the bushes and soil properly, and small farmers may also lack the resources to afford the necessary technical inputs. Furthermore, poor transport often means that it takes too long for the tea to arrive at the processing plant.

Fair Trade

Tea has long been included in the product range of the European Fair Trade organisations. European Fair Trade Association (EFTA) member organisations import tea from 27 partners in Asia and Africa, who are, for the most part, private companies. They include Stassen in Sri Lanka, and small farmers in Kenya and Zimbabwe.

Since 1994, fairly traded tea has carried one of three different Fair Trade marks. The registers

Fair Trade criteria

Fair price.
Prices paid for tea should at least cover the costs of production and provide for an extra margin for the improvement of working and living conditions and for future investments. These might include conversion to organic cultivation, education and training for small farmers.

Long-term relationship.
Producers are very vulnerable to the erratic movements of the international tea market. Fair Trade organisations, in principle, maintain trade relationships on a long-term basis which gives producers security. This allows them to plan social development projects or achieve long-term goals such as transition to organic cultivation.

Advance payment.
At the producers' request, part of the product value can be paid in the form of an advance payment. This prevents producers from falling into debt before they harvest their crop. Small growers can use this money, for example, to improve the productivity of their land and therefore the quality of their tea.

Packing.
Tea should preferably be packed in the producer country, so that producers receive the added value and new jobs are created. This is particularly important for producers who want to be more than the mere suppliers of a commodity which is destined to be refined, blended and packed elsewhere.

for the marks have now been merged and common criteria have been agreed.
The TransFair label applies to teas in Germany, Luxembourg, Austria, Switzerland and Japan; whereas the FairTrade Mark can be found on products on the British market. The Max Havelaar label is used in the Netherlands and Switzerland. None of the Fair Trade marks restrict themselves to purchases from small farmers. In fact, the producer registers include large plantations which have satisfied, as a minimum, the local legal criteria for working conditions such as minimum wage, housing and health care.

None of the labelling initiatives has established a minimum price. Instead, a premium price is paid on top of the market price (which must cover at least the cost of production). This premium is paid into a fund for the benefit of the workers. How the money is spent is determined by a consultative body, on which both workers and management are represented. The quality of the relationship between workers and management is therefore of vital importance.

Tea plantations employ millions of workers world-wide, but working conditions often leave much to be desired. It is the most disadvantaged of the producers who benefit most from Fair Trade relationships. Moreover, fair trading with plantations where the workers are paid and treated well can contribute significantly to the elimination of structural poverty.
Through longstanding co-operation with sympathetic plantation owners, Fair Trade enables change to be brought to working and living conditions on the plantations. Education of the workers' children can lead to different job opportunities and may be the most effective way of breaking the cycle of families being tied to tea plantation work for generation after generation.

Fair Trade with small farmers

Fair trading with small farmers continues to be an important option as it offers the opportunities for the empowerment of tea producers.

One obvious problem is that small farmers have to sell to privately owned factories unless they are fortunate enough to belong to the small number of co-operatives which have their own factory. Such co-operative ownership of a factory is rare as it requires considerable investment.

There remains the problem that the quality of tea from small farmers is generally considered to be below export standards. In both Africa and Asia, there are examples of small farmers who have organised themselves to deal with quality problems.

In India, the private company Tea Promoters India (TPI) supports small producers in the Darjeeling region. Through providing them with tea plants and training in organic agriculture, the farmers are soon able to produce a higher quality tea. When the time comes, TPI will offer the processing facilities at their tea factory to these farmers.

Tea Promoters India: Ten years of Fair Trade and organic production

Darjeeling tea is famous all over the world. In 1990, Tea Promoters India (TPI), a private company, rented a plantation from the Indian Government, which had hitherto been badly neglected. The workers themselves had survived by planting food crops and selling hand-rolled tea. Throughout this period of hardship, they became a strong tea garden community. Brij Mohan, chief executive of TPI and a former tea garden manager himself, decided that this would be an opportunity to do something different in Darjeeling: organic tea production and social development. Furthermore, this would not be done for the workers but with the workers. The neglected plantation was ideal for establishing organic production, since no chemicals had been used for several years. Social development, especially schooling for the children, was badly needed. In the absence of owner or manager, the workers had established a "management committee". They now sat down with the new TPI manager to discuss what needed to be done on the plantation. This first Samabeong management committee provided a model of co-operation for TransFair. Fair Trade has led to many changes at Samabeong. There is now a community hall for the workers, with a library where they can read or watch TV. The hall also provides a venue for trade union meetings, and was also originally used as a school. Now, there is a purpose-built high school in the tea garden, open not only to workers' children, but also to children from surrounding villages. Well-qualified teachers are employed and offer a high quality education to the Samabeong community. Besides the social benefits for the workers, many new tea bushes have been planted, as well as 20,000 other trees for firewood and soil conservation. A biogas plant is being built. The factory now processes and packs tea for end consumers, and has provided new job opportunities for twenty-four women. This transformation has taken less than ten years.

There are also some signs that at least part of the mainstream market is considering the ethical issues in purchasing tea, although the motivation comes more from a desire to improve quality rather than justice. Whether this will deliver real benefits or whether it is just a public relations exercise remains to be seen.

Organic tea production and the Stassen Bio Tea Project

The market for organic teas is growing strongly and Fair Trade organisations are pioneering work to develop environmentally-sensitive production and cultivation methods. This has benefits both for the consumer and the producer. For the plantation worker or farmer, health protection is particularly important and, in the long term, organic cultivation helps to increase soil fertility. Several organic tea suppliers appear on the FLO (Fair Trade Labelling Organisations International) register.

The Fair Trade organisation gepa (Germany) and its trading partner Stassen (Sri Lanka) pioneered of organic tea production in 1987. With the support of Naturland, a German Bio-Certifying organisation, they began conversion of seven tea gardens near Haldumulla in Sri Lanka. Although the land still belongs to individual owners, it is managed by Stassen. Organic tea production has brought considerable changes to the tea gardens. Stassen has switched from chemical fertilizer to compost, and some of the tea workers now keep cows and sell the dung to the bio tea project. Shelter belts of trees and bushes have been planted to protect the tea bushes from heat and to reduce erosion of the soil by heavy rain. Other plants are grown for composting. Naturland allows only a very limited range of disease treatment (for example, copper may be applied against fungus infection). Besides protecting the health of tea workers and their families organic production also creates additional jobs. The Stassen Bio Tea Project employs 50% more workers than an ordinary plantation of the same size. In 1990, gepa started a similar project in the Darjeeling region. Tea Promoters India (TPI) leased the Samabeong tea garden from the Indian government and ran it as an organic and social pilot project.
By the year 2000, TPI was also working with five other tea gardens, three in Darjeeling, one in Doars and one in Assam. Both Fair Trade partners, Stassen and TPI, now produce tea that is certified as 100% organic as well as being fairly traded.

Packaging can create jobs

Fair Trade tea packaging has provided jobs for around 2,000 women in Sri Lanka. This packing project started in 1985 in the Dambadeniya region, a region of high unemployment 120 kilometres from Colombo. The women weave small grass baskets in which the tea is packed and the entire tea packing process takes place in the country of origin. The women who are paid piece-work earn between 2,000 and 3,000 rupees a month. This is quite a respectable salary for a rural area of Sri Lanka, and as the families have more money to spend, local craftsmen and shop-keepers also benefit. Until the mid nineties, the baskets were an added attraction for European consumers. Fair Traded tea from Sri Lanka was not right unless it was packed in reed baskets from Dambadeniya. For each basket, Fair Trade paid a bonus to the Dambadeniya Foundation for development and education programmes. Stassen initiated a

similar basket making project in the South of the country, one of the poorest regions of Sri Lanka. Unfortunately, towards the end of the nineties, the sales of baskets have declined, since customers now prefer tea in cardboard boxes. The Fair Trade organisations are now encouraging the women of Dambadeniya and Tissamaharama to design and produce baskets for other products. Some are now packing cashews and spices in baskets, and, in general, basket sales have picked up again. During the year 2000, Europe was importing 90,000 of these baskets a month.

Market Trends and Developments

The UK is the second largest importer of tea (after the Russian Federation). In 1999 the UK imported 137,000 tonnes (around 11% of total world exports). This is more tea than the rest of Europe put together. Any changes in the UK market therefore have a direct impact on producers - and this traditionally staid market is currently undergoing considerable change. Demand for tea is falling slowly (but steadily) as customers switch to coffee and soft drinks. Tea is, nevertheless, still the number one British drink and the market leaders are fighting hard to maintain market share and stimulate demand. The innovations and tactics used do not, however, benefit the producers.

In order to increase value, the emphasis is increasingly on premium priced, top quality products. This has increased the value of tea sold despite a fall in volume. This means higher prices for those factories able to meet the higher standards, but results in more difficulties for low quality producers who are already suffering from lower prices. They are also powerless to do anything about it as quality is largely determined by climate and altitude.

Along with the higher quality product comes an emphasis on more sophisticated packaging. The emphasis is on image and freshness, with foil wrapping and higher quality printed boxes becoming the norm. The increasingly sophisticated and expensive packaging puts downward pressure on the cost of the tea itself and makes adding value in the country of origin much more difficult. Meanwhile, an even higher percentage of the retail value of the finished product goes to the marketing company and not to the farmer.

Product innovation is also a key feature of the current UK market as the brand leaders compete to maintain their market position. Although currently commanding only a small share of the market, a number of sectors are growing rapidly. Instant, Iced, Decaffeinated, and Flavoured teas are all growing, supported by massive advertising budgets.

The tea market in Germany, where coffee is still the preferred drink, differs totally from the British market. Whereas the British consume an average of 2,51 kg per person per annum, in Germany it is only 250g (representing imports of 19,760 tonnes in 2000). This is an increase from 1997, when the figures were only 220g and 18,330 tonnes respectively. Consumers are very aware of quality and prefer black tea for example from Darjeeling.

In 2000 German tea imports were mostly from India, China, Indonesia and Sri Lanka. African teas do not figure as highly in the German market, as in Britain.

Green and Herbal Teas

The growing demand for tea has been strongly influenced by the new trend for drinking green

tea. Consumers prefer this traditional way of tea processing and green tea sales doubled between 1997 and 1998. gepa has seen its sales of green tea rise from six tonnes in 1996 to over 30 tonnes in 1999. In 2000, the green tea sales calmed down. Organic green tea (produced by TPI and Stassen) is in great demand with Fair Trade customers.
Besides green and black tea, there is also a growing demand for herbal and fruit teas in Germany. Fair Trade offers a wide range of such teas, (some of them organic), from all over the world.

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Cocoa

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Cocoa reaches 27-year low

Marc Maes, with contributions from Wendel Trio

In the spring of 2000 a final decision was taken in the European Union on the use of cocoa butter alternatives in chocolate. The discussions on this issue had been dragging on for 27 years, ever since the UK, Denmark and Ireland joined the European community. What was then condoned as a temporary exception, has finally become the rule: cocoa butter can now be replaced by other vegetable fats up to 5% of the total weight of a chocolate product.
This decision was taken at the moment that cocoa went to the worst crisis in its history. In February 2000 a mere 750 US$ was paid for a tonne of cocoa: the lowest price in 27 years. Strange as it may seem, while this crisis occurs, the chocolate industry is worrying about the availability of cocoa and is making plans to promote a sustainable cocoa agriculture. Higher and more stable cocoa prices, however, are not part of these plans. Market intervention does not appear in the new International Cocoa Agreement, and the liberalisation of the cocoa trade is steadily being pursued in West Africa, the world's largest cocoa producing region.

Substitution of cocoa butter

In March 2000 the curtain finally fell over a saga that had been dragging on for 27 years. The European Union used always to prohibit the use of cocoa butter substitutes. A temporary exception to this general rule was made for the UK, Ireland, and Denmark, which already allowed such fats, when they joined the EEC in 1973 (European Directive 73/241/EEC). Three other countries permitting the use of vegetable fats joined the Union at a later stage: Sweden, Finland and Austria. Portugal changed its legislation after its entry to permit the use of substitutes. Basically, each of these latter four cases was an infringement of the European regulations, in spite of the fact that the European Single Market has been effective since 1 January 1993. Given the situation that eight countries (71% of chocolate production) prohibit substitutes, while three countries permit them and four countries use them without permission, there was an urgent need for measures to be taken.
In preparation for the Single Market, the European Summit in Edinburgh in 1992 ordered the European Commission to work out a proposal to harmonise the European chocolate market. They delivered a proposal aiming at lifting the ban on the use of vegetable fats only in April 1996. In October 1997, the European Parliament adopted several amendments that would have seriously limited the use of vegetable fats in chocolate. The Council of the European Union rejected most of these amendments in its Common Position of October 1999. Unfortunately in March 2000 there was not sufficient support in the European Parliament to substantially change that Common Position and reaffirm the amendments made in 1997. The battle was over: henceforth vegetable fats are permitted in chocolate throughout the European Union. The member states have until 2003 to adapt their legislation.

The problem with the use of other vegetable fats is of course that it potentially reduces demand for cocoa. Calculations made in 1998 showed that If all EU countries were to be allowed to replace 5% of cocoa butter by weight of chocolate, this would reduce the demand for cocoa beans by between 124,610 and 200,000 tonnes. If the United States follow suit, it was feared that losses for the cocoa-producing countries might run to between 208,410 and 325,000 tonnes. The International Cocoa Organisation in London has calculated that any reduction in demand of 10,000 tonnes equals a 1% loss of income for cocoa-producing countries.
However, the countries that already permitted cocoa butter substitutes were not inclined to

reverse the process. Both the vegetable fats industry and the chocolate industry lobbied powerfully for harmonisation at 5%, the former hoping for a new market, the latter for cheaper raw materials. Moreover, the possibility of using non-cocoa fats reduces the chocolate manufacturers' dependence on cocoa and strengthens their control over the sector.

The new directive allows the use of cocoa butter alternatives up to 5% of the total chocolate weight (which often comes down to one sixth of the cocoa content and one third of the cocoa butter content). The only comfort for the cocoa producing countries is the promise that the EU will carry out an assessment of the impact of the directive on their economies three years after the coming into force of the directive. There will also be separate mention of the use of vegetable fats on the packaging of the chocolate product, but only in the list of ingredients, i.e. on the back, where it will not have any discouraging effect. Besides the interests of the chocolate and vegetable oils industry, the directive will eventually mostly protect the interest of the suppliers of the cocoa butter alternatives. The directive limits the number of permitted vegetable fats to six tropical fats, among which the mostly frequently used are shea nuts from West Africa, which are indeed also gathered in a number of cocoa producing countries. However for the cocoa farmers this does not constitute any compensation, and since shea nuts are of much less value than cocoa, the region as a whole will earn less.

In view of the importance of this issue for the cocoa producing countries, it comes as no surprise that the European Fair Trade Association (EFTA) campaigned against the use of cocoa butter substitutes in chocolate for several years. EFTA, along with other Fair Trade organisations, non governmental organisations, and other concerned groups has campaigned against the adoption of this proposed directive by organising petitions, post-card campaigns, demonstrations, round table discussions, press conferences and by distributing information to all political decision-makers and engaging them in debate. The campaign turned the vegetable fats issue from a technical matter into an important political debate and led to the vote of several restricting amendments in the European Parliament in 1997. However, during the less open decision making phase that preceded the Council decision, the lobby activity of the industry regained the upper hand.

The cocoa-producing countries will become the victims of a European unification process, which all too often involves harmonisation at the lowest level.

And worse is still to come. The European example will be followed elsewhere. Already in November 2000 the debate on the use of veg-

AMBAO: guaranteed cocoa butter only

In November 2000 the Belgian government announced the creation of a new international quality mark for chocolate: AMBAO. The Ambao mark guarantees the exclusive use of cocoa butter and can only be used when the amount of cocoa is higher than the legal minimum. Belgium, which is known for its high quality chocolate, has always resisted EU regulation allowing the use of vegetable fats other than cocoa butter in chocolate. Unfortunately the mark has not received much response from industry and it is not known whether it will really have an impact.

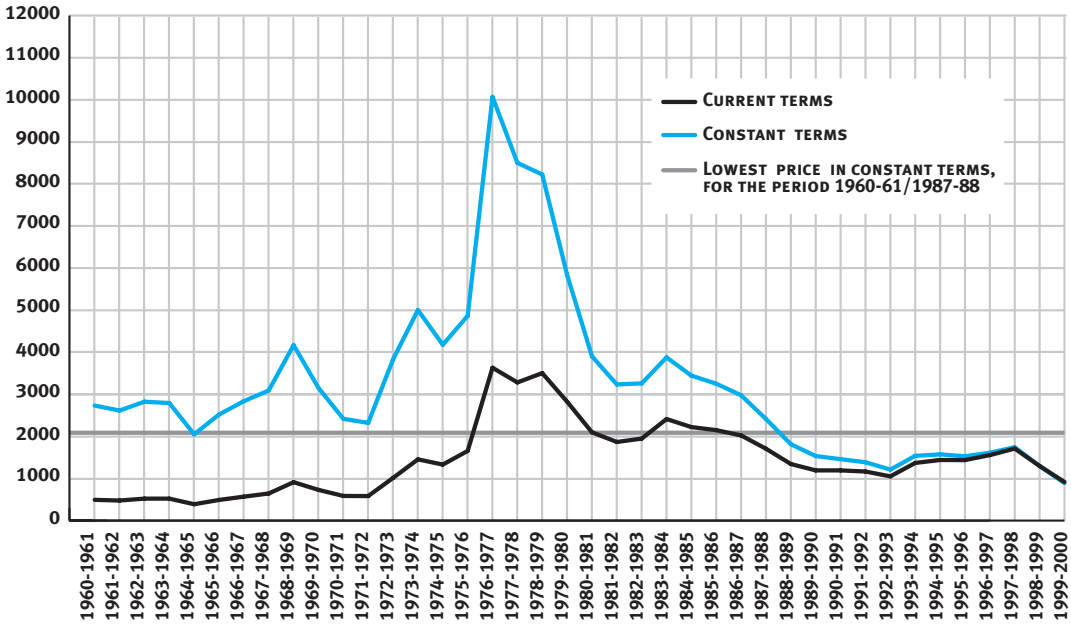
ambao

etable fats was reopened in the joint FAO - WHO Codex Alimentarius Committee. The Codex defines the global standards for food products. And the International Cocoa Agreement adopted in March 2001, although recognising the potential negative impact, allows the use of vegetable fats in chocolate for the first time.

Low prices and limited opportunities in the cocoa market

The European decision to permit the use of cocoa butter substitutes comes at a time when cocoa prices are exceptionally low. In February 2000 only 735 US$ was paid for a tonne of cocoa: the lowest price in 27 years.

Evolution of cocoa prices, 1960-61/1999-2000



"Prices in constant terms" are prices in constant 1998/99 terms adjusted for inflation by US index of consumer price inflation. Prices are in US dollars per tonne for "cocoa years" (October to September).
Source: ICCO, Internationale Cocoa Organisation London.

The above graph shows the trends in cocoa prices since 1960-61, in both current and constant terms (i.e. adjusted for inflation). It is clear that in constant terms, the present price level is far below the lowest prices of the 1960s and 1970s. Cocoa production was more profitable twenty or thirty years ago than it is today.

At first it seems quite odd that prices are that low. Since 1991-92 there have been six seasons when the total crop fell short of demand. One would, of course, expect prices to be high if demand exceeds supply. However, between demand and supply are the stocks. The accumulated stocks of cocoa exceed 1.3 million tonnes, which is enough to meet demand for five and a half months. As long as these vast stocks exist (twice the level of the 1960s and 1970s), the

price will remain low.
These large stocks were created at the end of the 1980s, when the harvests outstripped demand over a long period. Prices dropped sharply and the surpluses were added cheaply to the stocks of cocoa traders, processing industries and chocolate manufacturers.

The alternation of periods of surplus and deficit are typical for tree crops like cocoa. This is because cocoa production cannot easily be extended or reduced. In times of strong demand and high prices, the farmers can only respond in the short term by taking greater care of their trees. If demand remains strong, they will plant more cocoa trees, but it takes some years for these new trees to start bearing fruit when surpluses can be expected to arise. These surpluses which cannot easily be reduced in the short term, have a depressing effect on prices. The low prices will lead farmers to put less effort into cultivation and they will not replace old trees. This inevitably will result in renewed shortages.
That is exactly what happened in the 1970s and 1980s. The high prices in the mid-1970s caused an increase in production in the early 1980s. Prices dropped accordingly until they undermined production and eventually caused shortages in 1991-92. In the surplus and deficit cycle, cocoa producing countries come off worst: they cannot respond to higher prices quickly and can do too little to moderate a price decrease.
Something that producing countries cannot do, but the consumer countries can, is to keep large stocks of cocoa. The production areas are too hot and too moist and lack the capital to finance cocoa stocks. The large stocks referred to above are therefore an instrument of power for the cocoa consuming North rather than for the cocoa-producing South (see also under "International Cocoa Agreement").
Whereas local processing of cocoa would strengthen the producing countries' position in the market, it also has a number of limitations. Not only does it require considerable know-how and adequate production levels, but it is also dependent on local cocoa supply, which is seasonal in character (for lack of storage) and limited in quality (processing industries in the North can blend different varieties). Other obstacles are the distance to the customer (both literally and figuratively) and the protective measures imposed by the industrialised countries (see later). Moreover, the cocoa market is not a free market; it is a closed market dominated by a few very large companies, which are reluctant to let in small producers. Processing cocoa is one thing, finding a customer for the processed cocoa is another.

Nevertheless there is some more dynamic in the cocoa processing in the cocoa growing countries.Trade has become freer and cocoa producing countries permit the import of cocoa from other countries. The large international cocoa processors are building or buying factories in cocoa producing countries and/or setting up joint ventures. Often only a first rough processing into liquor, butter and powder takes place in the country of origin, while more sophisticated finishing is done in the North.

Processing in the cocoa-producing countries remained stable since the 1970 at a 30% level of the total crop. Recently this share rose to 35%. Côte d'Ivoire in particular is experiencing strong growth. In 2000 Côte d'Ivoire with 230,000 tonnes took Germany's place as the third largest cocoa processing country (behind the Netherlands and the USA). The other important cocoa processing countries of origin are: Brazil 190,000 tonnes, Malaysia 100,000 tonnes, Ghana 65,000 tonnes and Indonesia 75,000 tonnes.

Concentration and power in the cocoa sector

The entire cocoa sector is characterised by a high degree of concentration. Seven countries represent 85% of cocoa production, five enterprises command 80% of the cocoa trade, five companies account for 70% of cocoa processing and six chocolate multinationals control 80% of the chocolate market.

Of the six chocolate multinationals, three are American: Hershey, Mars, Philip Morris (owner of Kraft-Jacobs-Suchard-Côte d' Or) and three are European: Nestlé (Switzerland), Cadbury-Schweppes (UK) and Ferrero (Italy). There is stiff competition for new marketing opportunities between members of this group. These they seek to achieve by constantly developing new products with new shapes and tastes. Taking over smaller enterprises and their brands is another strategy to increase market share.

The chocolate manufacturers are basically the strongest parties in the cocoa business. They are less vulnerable to price changes, given their large product range and the fact that cocoa is only one of their ingredients. (Authorisation to replace cocoa butter with other fats will strengthen their position even further.)

Moreover, the large chocolate manufacturers spend such enormous amounts on advertising and brand familiarity that they have effectively dominated the distribution chains. Can any supermarket afford not to have Mars, Cadburys or Ferrero on its shelves? The manufacturers have capitalised on this strong position and increased their profit margins.

Concentration in the cocoa sector has arisen largely as a result of the concentration among the chocolate manufacturers who need large volumes of high quality cocoa at keen prices to enable them to produce their branded products. Traders and processors have had to meet these demands through increased economies of scale.

(ref. "The cocoa and chocolate market", by the Rabobank)

Price fluctuations and speculation at the commodity exchange

Demand, supply and stocks are not the only factors that determine the evolution of the cocoa price. Recent developments have clearly demonstrated this once more. Cocoa is traded at the commodity exchange (in particular in London and New York) and speculators do not only base their business on figures about the production and consumption of cocoa and chocolate, but also on considerations that have nothing to do with cocoa, such as the overall trend of commodity prices, the general economic outlook, or expected profits in other sectors. At the exchange cocoa contracts constantly change owner: the total supply of cocoa is traded 14 times.

The presence of speculators at the commodity exchanges (nowadays including pension funds and investment trusts) intensifies trends that occur in the effective cocoa trade: shortages or expectations of shortages can lead to exceptionally high prices and (expected) surpluses can lead to extremely low prices, etc. This is how the cocoa price rose from 1,250 US$ to more than 1,800 US$ in 1997. Several pieces of information caused this steep rise: rumours of a disappointing Côte d'Ivoire crop and about bad prospects for the following season; communications about the climatic phenomenon "El Niño" which causes drought in the Southern hemi-

sphere and possibly reduced cocoa production; information about the enormous stock of 500,000 tonnes that the commodity trader Phibro had built up and speculation about what he might do with it... . These provided an ideal cocktail for investment funds managers who quickly transferred large amounts of money from the bearish coffee market to the bullish cocoa market. El Niño indeed caused a drop in the cocoa supply. The harvest season 1997-98 closed with a deficit of 142,000 tonnes (crop 2,675,000 tonnes, grindings 2,790,000 tonnes) but the decline was not as big as some people had feared (450,000). Especially Ecuador and Indonesia had suffered from the weather phenomena; the West-African region was spared.

Once El Niño, Phibro and the annual speculation about the volume of the Côte d'Ivoire crop were left behind, the price started to drop again from May 1998 onwards. Nothing unusual about it. But when the price went through the £1,000 floor, the Financial Times spoke of "panic". Nobody had expected this. An analysis of demand and supply led to the conclusion that the 1998-99 season would close with a deficit again of about 150,000 tonnes. The decline had to be caused by developments outside the world of cocoa, by the financial crises in Asia and Russia and the general deterioration of the commodity market. But since a supply deficit was expected, no one believed that the price fall would last long. Unfortunately prices continued to drop and the forecasts deteriorated by the minute. The Asian crises worsened the global economic outlook and pessimism at the exchange became stronger due to a slow down of demand. Estimations of the crop became higher and higher and the expected deficit shrunk from 120,000 in February 1999 to 65,000 tonnes in April. By June it appeared that cocoa consumption had not only slowed down, but that it would effectively decline for the first time since 1991-92. In November 1999 the expected deficit was scaled down to 50,000 tonnes, in March 2000 to 15.000 tonnes.
In the mean time forecasts for the 1999-2000 season predicted more bad news: after three consecutive years of deficit there would be a surplus again. In March 2000 that surplus was estimated at 50,000 tonnes. Moreover the expectation was that demand would only surpass supply again in 2002-03. In that context the cocoa price continuously set new record lows. In September 1999 the price dropped below a 1,000 US$. In February 2000 735 US$ was recorded.

For cocoa farmers and cocoa producing countries this historically low price is a true catastrophe. In October 1999 as much was paid in London for a kilo of cocoa beans as cocoa farmers in Côte d'Ivoire received in the forest the year before (575 FCFA – 0.87 Euro). Farmers only got 225-250 FCFA (0.34-0.38 Euro) for their cocoa: 30% less then cost price! In 1998-99 the total earnings of the Côte d'Ivoire cocoa farmers were 682 billion FCFA (1.03 billion Euro), in 1999-2000 they were 421 billion FCFA (0.64 billion Euro): a loss of 261 billion FCFA (0.40 billion Euro).

Sustainable cocoa

The extreme low prices remain puzzling, because while surpluses of cocoa are expected for 2000-03, the chocolate-industry is worrying about the availability of supply in the near future. The industry is basing itself on the following considerations. Global cocoa production has a narrow geographical basis: at least 70% of production takes place in West Africa. More than 80% of the production is in the hands of smallholders with an average farm size of less than 5 ha. The ageing of the fields, insufficient care and low pest resistance have allowed diseases,

fungi and insects to cause an annual production loss of 30 to 40%.
In order to guarantee sufficient supplies within a time period of 10 years, the industry insists urgent measures are required. ACRI, the research wing of the American chocolate industry therefore worked out an extensive research programme, the so-called Sustainable Cocoa Programme. This programme wants to further fundamental ecological research; develop integrated pest management and efficient low-cost production techniques for small farmers; develop cocoa production in new or dormant production regions (Vietnam, Peru and Panama), and develop better cocoa varieties with the most modern bio-technical research methods, including genetic modification.

The Sustainable Cocoa Programme was endorsed on 1 March 1999 at an international seminar held in Paris, by 15 representatives from various organisations from the world of cocoa. Nonetheless the programme received a number of critics and has been interpreted in different ways. Support and better techniques for smallholders are of course a good thing, but the search for genetically modified cocoa varieties that would grow outside the actual zone of production, would of course result in new and enforced competition, and further downward pressure on prices. The programme does not make any mention of the market and prices, let alone internalisation of social and ecological costs. Nevertheless a fair price is a necessary condition for a sustainable cocoa agriculture. But the present convictions do not allow anymore for proposals that involve market interventions, on the contrary.

International Cocoa Agreement and market intervention

In principle both producers and consumers benefit from stable prices. That is why, since 1972, a number of International Cocoa Agreements (ICCAs) could be concluded with the primary aim of stabilising prices. The agreements imposed export quotas or production restrictions and created buffer stocks, managed by the International Cocoa Organisation (ICCO). During extreme upswings or downswings in prices, cocoa would be bought or sold from the buffer stocks. The buffer was funded jointly by consuming and producing countries.
In the 1980s, the stabilisation system came under such pressure that it was abandoned in the International Cocoa Agreement of 1993. The cocoa prices had plummeted in the 1980s due to a structural production surplus. The rapid growth countries, i.e. the Côte d'Ivoire and later Malaysia and Indonesia, had refused to join the system. The funds made available to finance the buffer stocks were insufficient. The stocks could therefore absorb only 250,000 tonnes, not enough to stop the downward trend in prices. Private traders, however, showed no shortage of funds. Their stocks had gone up to 1.328 million tonnes in 1990/91, or 67% of total demand! These giant stocks still affect the price level today. If cocoa prices are to be controlled, there must be better insight into the size of the stocks, their quality, their owners, their mobility etc. All available figures are rough estimates; the holders of stocks are reluctant to show their hands.
The 1993 International Cocoa Agreement was a shadow of its former self. The consumer countries merely promised to promote consumption (i.e. no cocoa butter substitutes!); it was left to the producers to do something about the price by reducing production. Malaysia signed the Agreement, but Indonesia remained (and still is) unwilling, and the USA has long stayed out of the Agreement.
The 1993 Agreement nominally expired in 1998, but was prolonged for two years. In November

2000 an International Cocoa Conference under the auspices of the UN was convened to adopt a new Agreement. But the negotiators failed to agree on all articles. Finally in March 2001 negotiations came to an end and a new agreement was reached, but without any reference to price stabilisation.

In the mean time four West-African countries, Côte d'Ivoire, Ghana, Nigeria and Cameroon announced their intention to reduce production in order to try to raise the cocoa price. In fact they decided to destroy 250,000 tonnes of cocoa during the 2000-01 season. Finance for the plan would come from an increased export tax that by it self could already have effects on the world market price. This plan has however not been implemented due to a lack of finances.

Liberalisation of cocoa trade in Côte d'Ivoire and Ghana

Since colonial times cocoa trade in Africa has been strongly controlled by the state. There were two models of state intervention: in the Ghana model state enterprises, headed by a Cocoa Marketing Organisation ("Cocobod") held a monopoly on all the marketing and export of cocoa; in the Côte d'Ivoire model, the state fixes all prices via the Caisse de Stabilisation ("Caistab"), but allows for other actors to operate on the market under strict conditions and licences. In both cases the state would provide farmers with subsidised inputs and extension services. The state also allowed for forward sales of a large part of the crop, so that upstream prices and margins could be guaranteed for a substantial period. In this way the cocoa farmers could be guaranteed a fixed price. The system also offered security to international traders: the state did not only guarantee the execution of contracts but also the quality of the exported cocoa.
Since Côte d'Ivoire and Ghana together make up 55% of the global cocoa production, the state intervention there was a factor of stability. It were not the international traders, therefore, that insisted on the liberalisation of the system. The pressure to liberalise came from the IMF and the World Bank in the framework of the debt problem and structural adjustment. IMF and World Bank claimed that Cocobod and Caistab are large, expensive and non-transparent bureaucracies that moreover do not achieve their stated goals. In practice they offered little support to the farmers, and creamed off rural income for the benefit of the state by setting too low cocoa prices. In the thinking of the World Bank liberalisation of cocoa trade would benefit the farmers. The abolition of state intervention would offer them a larger part of the world market price. That is no doubt true, but since nothing is done about price levels and price volatility, this does not help the farmers much. Moreover structural adjustment has not only deregulated state intervention in the cocoa sector: the enlarged part of the world market price does not suffice to compensate for the increased costs of living, education, health care, clothing, transport and agricultural inputs.

In Cameroon and Nigeria the sudden abolition of state cocoa enterprises in 1986 led to chaos and a strong deterioration of quality, with all the economic and social consequences that this entailed. This is why liberalisation in the two largest cocoa producing countries was introduced in steps. In Côte d'Ivoire, the internal trading of cocoa has been free since 1995. The prices that Caistab published since then are only indicative. The liberalisation of exports followed in 1999. In January Caistab was abolished and replaced by a Nouvelle Caistab, managed

by all participants in the market and confined to statistical and information functions. In June quality control was handed over to the French company SGS and the Dutch Cornelder. On 12 August 1999 all direct state intervention in the market was brought to an end. In the mean time the world market price plummeted. Liberalisation, which was meant to bring higher prices to the farmer, came at a very bad time. The state had just relinquished all instruments to protect its farmers against the free fall of the cocoa price. Farmers felt completely let down. At the end of November 1999, a coalition of farmer's organisations called for a strike, the first cocoa strike in the history of Côte d'Ivoire. Farmers refused to sell there cocoa any further, while they blocked cocoa warehouses and transport in several locations and threatened to burn 20,000 tonnes of cocoa. The action quite soon led to shortages in the warehouses at the ports and to a light upsurge of the world market price. Unfortunately the cocoa farmers organisations did not manage to sustain their action longer then 9 days.
In the mean time other actors in the cocoa sector had reasons to complain too. When Caistab was setting the export price, there was no doubt as to the value of the crop. Banks could offer credit without much risk. This certainty was now gone and in addition the world market price kept on falling. Organising credit to the cocoa sector is definitely one thing that was not well prepared by the organisers of liberalisation. The (expected) result was that only buyers with international backing were able to secure credit. Uncertainty and the lack of financial means caused the number of players on the Côte d'Ivoire cocoa market to drop drastically. In 1998 40 exporters were counted, in 1999 only 6 or 7 remained, among which a number of large international companies: Archer-Daniels-Midland (ADM), Cargill and Barry-Callebaut, while Mars was reported to be scouting the market. The uncertainty that liberalisation brought also led the cocoa multinationals to come and secure their supply on the ground. ADM handles 30% of the Côte d'Ivoire crop, Barry-Callebaut 20%.
Since liberalisation little stands in-between the cocoa farmers and the cocoa multinationals.

Meanwhile Ghana is offering more resistance to the pressure from the international financial organisations and liberalisation is taking a slower pace. In 1992 Ghana for the first time permitted private companies onto the internal cocoa market. Nineteen private buyers were registered in 1999, only 10 being operational. Together they account for 40% of the internal market. The Produce Buying Company (PBC), a full daughter of Cocobod, is still bringing 60% of the crop to the ports. In 2000 Cocobod put 35% of PBC on sale at the national exchange in small shares of 500 Cedi (0.15 Euro); 20% would be sold to the Social Security and National Insurance Trust, 20% to the Association of Cocoa, Coffee and Shea nut Producers, and 5% to the PBC employees, while the State would retain the last 20 %.
As from 2002 registered internal cocoa traders who have traded at least 10,000 tonnes of cocoa are allowed to export 30% of their local purchases themselves. For the rest, Cocobod continues to control exports, set prices, including the margins of the traders and the farm gate prices. This allowed Cocobod to shield off the Ghanaian cocoa farmers from the disastrous developments on the world market. In October 1999 Cocobod announced that the farmers price would remain the same as in the previous season, namely 2,250 Cedi/kilo (0.76 Euro). In this way Cocobod hoped to increase the Ghanaian production further, to reach the production goals it set in May 1999: 500,000 tonnes by 2005 and 700,000 tonnes by 2010. As a result of its price policy Ghana was confronted with the smuggling of cocoa from Côte d'Ivoire where prices are lower. This was a remarkable turn around of history (in the 1970s and 1980s smug-

gling went in the reverse direction) and of the predictions of the World Bank, who has warned Ghana several times that its cocoa would be smuggled out of the country if it did not liberalise its market soon enough. The smuggling from Côte d'Ivoire is not really good for Ghana. Côte d'Ivoire cocoa is of lower quality than Ghana cocoa and Ghana does not want to damage its reputation that always entitles it to a premium of 50 to 70 US$ / tonne on top of the world market price.
Due to extremely high inflation, however, the fixed farmer price eroded quickly in real terms so that by the end of the season the smuggling turned around in the direction of Côte d'Ivoire again. The Ghana government reacted by setting the price twice per season. In October 2000 it raised the farmer price again to 3,475 cedis/ kg (0.62 Euro). According tot the Unites States Department of Agriculture cocoa smuggling into Ghana during the 2000-01 season could be expected to involve some 30,000 tonnes of cocoa.

Overview of the cocoa production

The cocoa plant needs a moist, hot and shady environment, as provided by a tropical forest. Cocoa grows in tropical areas in three continents. Latin America, the cradle of cocoa cultivation, only accounts for 13% of world production. West Africa, where cocoa has been grown since the end of the nineteenth century, has developed into the main cocoa region, now accounting for 70% of world production. The youngest region is Southeast Asia, which has rapidly captured 20% of the cocoa market in the 1980s but stagnated at 17% since then.

With a production of approximately 1.2 million tonnes, Côte d'Ivoire is the world's leading cocoa producer, followed at a distance by Ghana, Indonesia, Nigeria, Brazil, Cameroon, Ecuador and Malaysia. These eight countries between them produce 90% of the world's cocoa. Despite this high level of concentration, the producing countries are the weakest party in the cocoa sector. This is due to the problems connected with local storage and processing, so that a restriction of production is the only way for producing countries to exert any influence on the market. However, the countries with the strongest potential for growth have always refused to agree on common production restrictions (Côte d'Ivoire and Malaysia have often played this role in the past, today it is Indonesia).

West Africa

Cocoa is of paramount importance to both Côte d'Ivoire and Ghana. Both countries rely heavily on cocoa for their foreign exchange The sales revenue from cocoa still accounts for more than one third of Ghana's total export earnings and 40% of the total export earnings of Côte d'Ivoire. Such dependence on a single commodity makes their economies very vulnerable
According to the Cocoa Research Institute in Ghana there are about 350,000 cocoa farms in the country with an average size of 3.5 ha. One third is smaller than 1 ha, two thirds are smaller than 8 ha. The average productivity per ha is low (420 kg/ha), mainly because trees are old and farmers cannot afford chemicals. Besides the 350,000 cocoa farmers, an estimated double that number is directly depended on cocoa, as caretakers who usually get to share part of the crop.

The number of cocoa farmers in Côte d'Ivoire is estimated to be 500,000. The farms are about

4 ha. Productivity is better than in Ghana, 870 kg/ha, thanks to the introduction of more productive hybrids.
In Côte d'Ivoire a large share of the people working in the cocoa sector are immigrants from neighbouring Burkina Faso. Increasingly they have become the victim of racial hostilities.
In March 2001 several reports in American and British media grasped public attention for the fate of child slaves working on cocoa plantations in Cote d'Ivoire. Up to 15,000 children between 9 and 12 are said to be working as slaves on cocoa plantations. This led to the introduction of a bill in the US Congress and Senate which would oblige all chocolate sold in the US to be child slave free. After the bill passed Congress the US chocolate industry came into action. They succeeded in putting off the bill by signing a voluntary agreement drawn up after negotiations with ILO, USAID, the government of Cote d'Ivoire, trade unions and NGOs such as Anti-Slavery International. In the agreement the chocolate industry promises to develop a label and monitoring system before July 2005 which would ensure that no use would have been made of child slaves.

In Nigeria cocoa agriculture has long been neglected because all attention was focused on oil production. Cocoa nevertheless remains the second export. Recently a programme has started to distribute new hybrids among farmers. As in Ghana trees in Nigeria are quite old. The average yield per ha is about 400 kg.

Asia

Malaysia and Indonesia came into cocoa production quite late. Encouraged by high prices in the 1970s, these countries stepped up production and are today among the leading cocoa producers. In Malaysia and Indonesia cocoa accounts for less than 1% of total export earnings.

Malaysia was the fastest-growing producer in the 1980s, but its production has decreased since the beginning of the 1990s. As a result of falling prices and rising wages, it is no longer profitable. The Malaysian crop has declined from 243,000 tonnes in 1989-90 to an estimated 70,000 in 1998-99.The large plantations have replaced their cocoa trees with oil palms, whose cultivation is less labour-intensive. With the disappearing of the plantations smallholders are now also the major cocoa growers in Malaysia, accounting for 60% of the production. The average yield is 750 kg/ha.
Since 1995, Malaysia has been importing cocoa, especially from Indonesia, to supply raw materials to its processing industry, which has a capacity of 145,000 tonnes.
In Indonesia wages are much lower than in Malaysia. Indonesia offers the combination of factors which, historically speaking, have always been determinants for booming cocoa production: virgin rain forest, a migrating population (from the overpopulated island of Java) and (connected) a sufficient number of people who have no choice but to accept a low level of income.
Rain forest is still being cut down in Sulawesi to give new settlers the opportunity to start cultivating cocoa. According to American (USDA) estimates in 2000 530,000 ha were planted with cocoa, of which 360,000 ha were being harvested, which means that another 170,000 ha was about to come into production. The expectation is that Indonesian production will expand strongly.
82% of the Indonesian production is coming from 150,000 smallholders who cultivate an aver-

age of 2 ha of cocoa. Productivity is high, 900 to 1,000 kg/ha, which is better than on state plantations and private plantations, who respectively take up 11% and 7% of the production. Indonesian cocoa, however, is of much lower quality than African cocoa.

Latin America

The share of Latin-American cocoa has continuously declined. In 1989-90 it was 27%, now it is only 13%. This decline is mainly due to the situation in Brazil where cocoa production declined from 350,000 tonnes to 133,000 tonnes over the same period. Brazil is faced with similar problems to those of Malaysia. Low prices and high wages make the cultivation of cocoa unprofitable, and the resulting neglect has led to a considerable spread of the witches broom disease, which has now heavily affected cocoa-producing areas. Productivity is only 280 kg/ha. In November 1999 the province of Bahia, which is highly dependent on cocoa, opened a Bio Plant that would make more than 7 million rooted plants and 42 million grafting sticks available by 2002. Like Malaysia, Brazil has become an importer of cocoa in order to provide its processing industry with sufficient quantities of raw material.
In Brazil cocoa is grown mostly on plantations. The decline of the sector is a particular tragedy for the workers. In the province of Bahia, over 250,000 jobs have already been lost.

Other major cocoa producers in Latin America are Colombia, Mexico, and the Dominican Republic. Cultivation in these countries is mainly in the hands of small-scale producers.

Fair Trade

In the commercial cocoa trade, the trading organisations and the chocolate industry receive about 70% of the profit from chocolate, whereas the cocoa farmers (who usually have no alternative source of income) receive barely 5%. The European Fair Trade organisations pay fair prices and support sustainable cultivation through establishing contacts with producers in developing countries. The sale of Fair Trade products also provides a link between producers and consumers. When consumers become more aware of the problems in the South in general, they will be more prepared to pay a fair price.
The minimum price that is offered by the European Fair Trade organisations is 1,600 US$/tonne raised by a premium of 150 US$/tonne. For organic cocoa another 200 US$/tonne premium is added. If the market price is higher than 1,600 US$/tonne then the Fair Trade price is this price raised by 150 US$/tonne.

El Ceibo, a Bolivian cocoa co-operative, established contact with the Swiss organisation Claro (then known as OS3) in 1985. Part of the cocoa produced by El Ceibo is now sold directly by Claro on the European market.

Main Cocoa producing countries

	thousand tonnes
Côte d' Ivoire	*1,300*
Ghana	*445*
Indonesia	*420*
Nigeria	*165*
Brazil	*130*
Cameroon	*120*
Ecuador	*95*
Malaysia	*80*
Dominican Republic	*47*
Colombia	*40*
Papua New Guinea	*37*
Mexico	*35*

Figures are 1999-2000 forecasts by the International Cocoa Organisation

Trade restrictions: international and EU regulations

Trade restrictions are one reason why producer countries export cocoa mainly in the form of cocoa beans. The cocoa-consuming countries, i.e. the industrialised countries, protect their markets against imports of manufactured products by escalating tariffs. The higher the degree of manufacture, or degree of competitiveness, the higher the imports tariff rate imposed. Until recently, the European Union raised a tariff of 3% on cocoa beans, as opposed to 12% on cocoa butter, 15% on cocoa liquor, and 16% on cocoa powder (cocoa butter and cocoa powder involve a higher degree of processing than cocoa mass, but European demand for powder is smaller). Products from ACP countries were granted free access. Other developing countries enjoyed a preferential tariff of 3% on beans, 11% on mass, 8% on butter and 9% on powder.

The 1994 multilateral trade agreements (GATT/WTO) resulted in new, lower tariffs. The standard tariffs are now: 1.5% for cocoa beans, 12% for cocoa liquor, 9% for cocoa butter and 12% for cocoa powder. The preferential tariffs for developing countries have been differentiated according to the so-called "degree of development" of the countries involved. Ecuador and Bolivia can export their cocoa products freely; for Malaysia and Indonesia the tariffs are 0%, 8.4%, 6.3% and 4.2% respectively; for Brazil they are 0.7% for beans, 10.2% for liquor, 7.6% for butter and 8.2% for powder. Zero tariffs have been accorded to more countries. Besides the ACP-countries many countries from North Africa, the Middle East and Eastern Europe now have free access to the European market of cocoa products (with the exception of 1.5% tariff on beans). This means that the preferential treatment of ACP countries is not so preferential anymore.

Intermediate traders are avoided and the first stages of processing are carried out in Bolivia. (El Ceibo produces both cocoa butter and cocoa powder in its simple processing plant). In 1991 Claro placed the first Fair Trade chocolate, made by a Swiss chocolate manufacturer, on the European market under the name "Mascao". Today, all Mascao chocolates are also completely organic. They are based on fairly traded cocoa from El Ceibo and from Conocado in the Dominican Republic and of fairly traded cane sugar from Alter Trade in the Philippines.

Apart from Mascao, other types of chocolate and chocolate products have been introduced by most EFTA members: chocolate bars, instant cocoa powder, chocolate spread, chocolate covered nuts and raisins, pralines, and so on.

In 1993 a Fair Trade label for cocoa and chocolate products was introduced in the Netherlands and Switzerland. Now there are ten countries where such a label exists adding up to a 1,000 tonnes of product in 1999. For the time being the UK, Switzerland and the Netherlands are the most important consumers of labelled chocolate, but in terms of consumption per head Luxemburg leaves the other countries far behind. The chocolate labelling organisations are all members of FLO-International, which was founded in 1997 and which now has a total membership of 17 national Fair Trade labelling organisations.

Chocolate manufacturers and cocoa processors that import cocoa following the criteria set by FLO are allowed to carry a label such as Max Havelaar in the Netherlands, Switzerland and

Kuapa Kokoo, Ghana

Kuapa Kokoo, which means "good cocoa farmers", is the name of an association of cocoa farmers in Ghana. When Ghana liberalised its domestic cocoa market in 1992 under pressure from the IMF and the World Bank, a number of farmers' leaders decided to establish their own cocoa trading company. Corrupt officials for too long had deceived the cocoa farmers. They were not keen to exchange these officials for perhaps even worse intermediate traders.

The trading company Kuapa Kokoo Ltd. is owned by the Kuapa Kokoo Union. In every village, the farmers who supply to Kuapa Kokoo appoint their own board and representatives for Kuapa's administrative bodies. The cocoa farmers in Ghana have thus gained some control over the trade in their cash crop for the first time in many years. The fact that the farmers handle the scales themselves at Kuapa is an even more significant symbol of Fair Trade for them, than is the price they are paid. The farmers are paid for gathering, weighing and sacking the cocoa, and are involved in the management of Kuapa. They receive training, prompt payment and a bonus at the end of the season. Kuapa is the best performing organisation in Ghana's domestic cocoa market, with an ever-growing number of farmers wanting to join. Kuapa grew from 22 village societies in 1993 to 684 societies representing 35,000 members in 2001.

Since 1998 gender and organic projects are running at Kuapa. The gender officer organises training and sets up savings schemes. The main worry of the women farmers is to sustain their family. They try to make some money of their own; for example by growing vegetables; baking bread or producing soap from the cocoa pod shells.

Meanwhile a number of Kuapa village societies are receiving training in organic cocoa cultivation by Conservation International. The aim is to obtain an organic certificate within some years so as to be able to sell to the small but profitable organic market.

Since October 1998 Kuapa Kokoo has also become a shareholder of a British chocolate company! The Day Chocolate Company has been called after the late Richard Day, a former staff member of the British NGO and Fair Trade organisation Twin, which has been supporting Kuapa ever since is foundation. The chocolate the company is marketing is named "Divine", "a divine chocolate with a heart".

Denmark, or TransFair like in Germany, Luxembourg, Austria and Italy, or the Fairtrade Mark in the UK and the Raettvisemark in Sweden. In the Fair Trade cocoa market there is a clear trend to combine fair and organic. Fair Trade cocoa butter is also used in all cosmetics of the Bodyshop that contain cocoa butter.

Cocoa beans and butter for the labelled chocolate products are produced by El Ceibo (Bolivia), Kuapa Kokoo (Ghana), Conacado (Dominican Republic), MCCH (Ecuador), MACEFCOOP (Cameroon) and TCGA (Belize). APPTA in Costa Rica will soon be delivering for the Fair Trade market.

In the near future the cocoa production in 4 of these 7 producer organisations will also be certified organic. Two other producer groups are involved in organic projects.

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7

Sugar

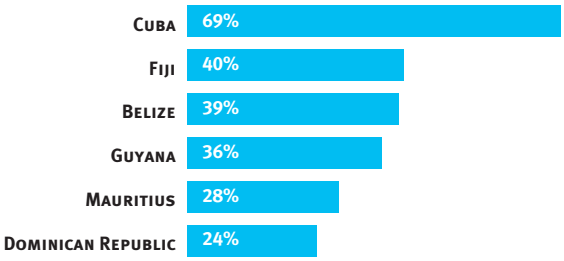
Bitter rather than sweet

By Astrid Engel

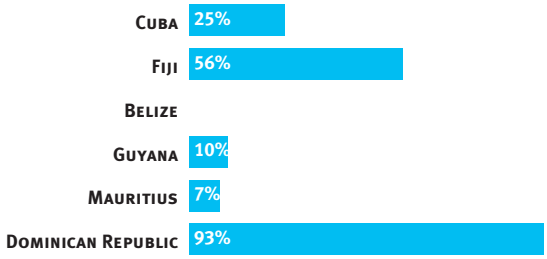
A peculiarity of sugar is the fact that - in contrast to other commodities like cocoa, coffee or bananas - it can be produced in any region of the world, which causes direct competition between North and South. Until recently the European Union (EU), with its constantly growing exports, was the biggest "troublemaker" in the world market. In recent years, however, other big producer countries with a steadily growing surplus have joined in. Consequently, prices are steadily declining. The deepest low was reached in midyear, 1999, when prices really tumbled. Even the Agrarian Agreement of the WTO has not brought about improvements to the miserable world market situation. The commitments achieved, e.g. the reduction of export subsidies or tariff barriers, were too little.

The importance of sugar exports from selected developing countries in 1993

Sugar exports as a % of total exports by value



% of sugar exports sold on world market



Source: UNCTAD (1996) and Taschenbuch der Zuckerwirtschaft

Those who suffer from this persistent crisis are, above all, small farmers and sugar cane cutters in the South. Their working conditions have been worsening continuously and many of them are forced to stop production.

This chapter deals with some questions regarding world sugar markets: What makes the situation so difficult? What development trends can be observed? What is the situation of the producers and what is the role of the EU? Finally, it explains the steps Fair Trade Organizations undertake to support sugar producers in the South.

The World Sugar Market

Sugar is produced in around 127 countries. Of the approximately 135 million tonnes produced in 1999/2000, most came from the densely populated countries of Asia. Brazil was the world's largest producer with nearly 21 million tonnes, followed by the EU with 18 million tonnes, India with 17 million tonnes, China (approximately 9 million tonnes) and Thailand with 5.5 million tonnes. [1] Approximately 90 million tonnes - or two thirds of sugar - are produced in developing countries. Ca. 70 % come from sugar cane, the rest from beet. With the continuing increase in the production of cane sugar and stagnation of beet sugar production, there is a significant shift in favour of cane sugar. [2]

In the majority of countries, most sugar production is for domestic consumption. China and

[1] *Faostat, statistical database 2000l http://www.apps.fao.org*

[2] *Wirtschaftliche Vereinigung Zucker (1995): Jahresbericht für das Wirtschaftsjahr 1994/95*

India, for example, hardly export any sugar. Nearly 30 % of the world's sugar production is traded internationally. Since 1995 Brazil has been the largest exporter: with a market share of more than 22 % it has overtaken the European Union (15 %, without internal EU trade) which occupied the number one position for many years. Other important exporters are Australia (12.6 %), Cuba (7.2 %), Thailand (7.1 %), Guatemala (3.8 %) and South Africa (3.1 %). [3] These seven countries together account for more than 70 % of the sugar sold on the world market. The developing countries together have a world market share of 60 - 70 %. [4] Other exporting countries not mentioned above may have low world market shares, however for many of them sugar is an important source of foreign exchange.

The national and international sugar markets are determined by massive government intervention. With high tariffs and other protectionist measures, most sugar producing countries protect their own markets in order to encourage their own domestic sugar production. Domestic producers can therefore achieve prices above world market level. This applies equally to the most important industrialised countries as to developing countries. Thus India, China, the US and Japan are broadly or totally self-sufficient; and the European Union is one of the largest exporters. There is also massive intervention in the national markets of less important sugar producing countries. Very few countries - notably Australia, Canada, Singapore and, recently, Cuba - expose their sugar trade to the "free" market. [5]

Even when traded internationally, sugar is often not traded on the free market but rather by means of intergovernmental contracts. Naturally this applies to former socialist countries. However, there are also contracts between both the European Union and the US with different developing countries guaranteeing the import of a certain quantity of sugar at the domestic price. [6] This has led to the paradoxical situation that many developing countries, for whom sugar accounts for an important part of export earnings, are not competitive at all at free world market prices. Their export chances totally depend on the protectionism of the industrialised countries and their preferential access to those countries' markets within the scope of the preference agreements. Examples are Mauritius and Guyana with preferential access to the EU market according to the Sugar Agreement as well as the Philippines and the Dominican Republic, which may export to the US at low duties.

World Market Prices: General facts...

The strong protectionism determining the world sugar market has led to unstable and mostly low prices.
Prices are low because many sugar producers do not need to cover the total production costs. Producers can cover their fixed costs (machines, refineries, etc.) with the higher prices they gain in their domestic or preferential markets. To be attractive, world market prices need only cover the variable costs (wages, rent, energy, etc.) of the surplus production. Furthermore,

[3] *Faostat, statistical database 2000, http://www.apps.fao.org*

[4] *ibid*

[5] *UNCTAD (1996): Prospects for the world sugar economy in the light of the Uruguay Round Agreements, Geneva, p 8*

[6] *ibid p 10 and 12*

governments sometimes subsidize sugar exports in order to keep their sugar competitive. So world market prices are below the production costs of most of the producing and even exporting countries.

Prices are unstable because there are a relatively small number of buyers and sellers on the world sugar market. Therefore production shifts in one or two of the large exporters can have a large impact on price. Moreover, the international sugar market is a typical "remainder" market: many countries use it as an outlet for the surplus achieved in years with favourable weather conditions, regardless of whether prices are high or low. On the other hand, when crops fail in countries that are normally self-sufficient, this can lead to a sudden rise in demand for imported sugar. As a result, sugar prices in the 1970s and 1980s were by far the most variable of any major internationally traded agricultural commodity.

... and their concrete development since the 1980s

From the 1980s, world sugar supply has almost always been greater than overall demand. This reflects increasing exports from the European Union in the 1980s, the appearance of other big exporters like Brazil or Thailand in the 1990s, growing production in formerly important importing countries like India or China, and an increasing switch to alternative sweeteners, especially in the US and Japan. As a result of rising exports and constantly decreasing demand for imported sugar, the world market price is under permanent pressure, with only short and temporary interruptions. Only the range of variations seems to have become smaller. According to experts, this is due to the declining importance of industrialised countries (especially Japan) as importers: whereas these countries were ready to pay "any" price in order to cover their demands, other countries with lower returns are quicker to react to rising prices by lower consumption.

In the 1990s, the situation did not change fundamentally. It is true that the decrease in production in Eastern Europe and Cuba - resulting from the breakdown of the socialist economies - led to a short-term deficit on the world market and thus to a price rise to over 15 cts/lb in 1995. However, large crops in important producer countries like Brazil, Thailand, Australia or India subsequently caused a fall in prices as soon as 1996. Since then, global production - repeatedly called "bumper crop" - has increased year by year without facing a corresponding rise in demand. In 1998, the economic crisis in Asia was especially felt, causing a drastic fall in demand in this region. After a short-term recovery in early 1999, prices suddenly fell below 5 cts/lb just a few weeks later – to the lowest level of the last 13 years. [7] Brazil played a key role in this by devaluating its currency by 30 % and then floating it in late 1998, thus enabling it to offer its sugar at much more favourable conditions. At the same time, subsidies for the employment of alcohol (made from sugar) as fuel were reduced drastically, causing a decline in demand. Consequently, cane sugar was once again processed into sugar rather than into alcohol, causing the excess supply to rise even further. These rising exports from Brazil met with low demand on the world markets, mainly because China and Russia ordered much lower quantities than had been expected. [8] Another aggravating factor is that several important mar-

[7] cf. Sommer, u.: Der Markt für Zucker. In: Agrarwirtschaft 49 (2000), Braunschweig p 30

ket participants - especially the US and the European Union - have not reacted to the price signals. In spite of the persistent deterioration of the world market situation over five years they have continued protecting their markets or raising their exports. In the meantime, world sugar stocks have risen to almost 50 % of annual global demand, compared with only about one third in the early 1990s.

In 1999, production rose to a record peak of 135 million tonnes – but faced a very weak demand. Prices have recovered slightly since the midyear of 2000, but a sustainable recovery of the world market prices is not to be expected. The future of the world sugar market seems to be quite difficult to predict. Future development will depend on whether Brazil reduces its production or not. Other decisive factors are the developments in Australia, in the big Asian producer countries, and in the countries of the North Atlantic Free Trade Agreement (NAFTA).

In short, the experience of the last few years has shown that persistently low world market prices neither cause big exporters to decrease their production significantly nor do they lead to a rise in demand from importers. On the contrary: the unaffected optimism of the exporters leads to a permanent increase in production. As to importers, the trend of protecting their domestic markets from cheap imports is becoming stronger. An effective international sugar agreement is not to be expected in the future any more than in the past. In other words: there is nothing approaching a solution to the critical situation on the world sugar market.

What is new, however, is that the desolate situation of the world sugar market is no longer exclusively a problem of the industrialised countries dominating the countries of the South, as it was in the 1980s. Competitive exporters from the South have increasingly influenced the world market, entering into competition with the European Union and, above all, other developing countries. It is worth mentioning for a start Brazil, which has increased production by more than 11 million tonnes since the early 1990s.[9] With its offensive export policy, this country has managed not only to displace the European Union from some outlet markets, but many other exporters as well. Even the most competitive such as Australia or Thailand are suffering from the dumping offers from Brazil, which reduce their own outlet chances. Meanwhile, the countries of the South have entered into ruthless competition.

EU Sugar policy

Although the European Union is no longer number one among the big sugar exporters as it was until a few years ago, it is the greatest exporter of white sugar. Only 25 years ago, it numbered among the world's most important importers! This change is the result of a policy which – swayed by a strong sugar lobby - has led to enormous rises in production.

The EU sugar policy is based on the so-called Common Agricultural Policy and consists of the following three basic elements:

- Effective protection from international competition by means of extremely high import

[8] *ibid*

[9] *cf. no author (2000): Zweite Schätzung der Weltzuckererzeugung 1999/2000. In: F.O. Lichts Europäisches Zuckerjournal (European Sugar Journal), annual volume 139, no. 5/2000, p 75*

duties. These make sugar from abroad so expensive that practically they amount to an import prohibition.

- The paying of guaranteed minimum prices to producers. Usually these minimum prices are much higher than world market prices; at present, EU sugar prices are about three times higher.[10] It is true that the minimum prices are only guaranteed for a set quantity – a so-called 'quota' (ca. 14.5 million tonnes of white sugar at present) - but this quantity of sugar has always been so high that it far exceeds Europe's own consumption needs. Furthermore, the profits achieved from the sales of their quota sugar provide an incentive to farmers to produce even more sugar, which is then exported at world market prices. For many years the EU has been forced to export approximately a third to a fourth of its sugar production (nearly 6 million tonnes in the financial year 1998/99).[11]
- The paying of high export subsidies in order to place surplus sugar on the world market.

A strong sugar lobby – including the beet producers - has so far prevented any kind of change to this sugar policy. Originally intended as a temporary measure, the Common Agricultural Policy has been repeatedly extended, most recently in May 2001. In spite of some efforts on the part of the Agricultural Commissioner Fischler – who, in view of the forthcoming eastward extension of the European Union and of the present WTO negotiations on agriculture, sees an urgent demand for reforms - only insignificant changes have been agreed. The present provision will be valid until 2006.

This resistance against reform of any kind is all the more remarkable since the EU has by now passed two comprehensive reform packets in order to adapt the Common Agricultural Policy to WTO regulations. A central element of these reforms is the drastic price reduction of all important agricultural products. The big exception: sugar. The possibilities of similarly reducing sugar prices likewise are limited in so far as this would require compensation payments (which are granted for other agricultural products) that would pose a further burden on the EU budget. Due to the recently installed budget restrictions, this is politically not feasible at present. This adds further to the existing discrepancy between prices for sugar and for other agricultural products. However, pressure appears to be rising even in the case of sugar - the Commission is at least to present a report and, if necessary, further suggestions for reforms in early 2003.

It is also remarkable that the sugar sector has remained largely untouched by the WTO regulation on liberalisation (cf. section "The agricultural agreement of the World Trade Organization"). The result is that sugar production within the EU has increased undiminished: now as before, high import duties serve as protection against undesirable imports. Due to the substantial price reductions of other agricultural products (e.g. cereals), it has not been necessary to cut the supporting prices in the case of sugar. Nor were reductions necessary in the case of export subsidies, until recently. Due to the clever selection of the reference period (1986-90), which serves as basis for reduction, the initial quota was fixed at such a high level

[10] cf. no author (1999): Kontroverse um die EU-Zuckermarktordnung (controversy about the EU sugar market agreement). In: Agra Europe 17/999, Europa-Nachrichten (Europe news), p 5

[11] Wirtschaftliche Vereinigung Zucker (1999): Zucker in Zahlen: 8

that up to now no adaptation has been necessary. In 2000 this changed for the first time: WTO conditions are now fully applicable and, as a result of the permanently low world market prices, the expenditure of export compensation is quite high. Consequently, the quota has been reduced by nearly 500,000 tonnes, temporarily limited. This is the only remarkable change in the new sugar market regulation: the permanent reduction of the total quota by 115,000 tonnes. [12] Remember: sugar produced beyond the quota will not be affected by this reduction.

Impact of the EU Sugar Policy on the countries in the South

Every year, the EU puts millions of tonnes of subsidized - and thus cheaper - sugar on the world market. EU sugar exports depress world market prices and cause the developing countries a considerable loss of market share and of badly needed foreign exchange. The rapid expansion of EU sugar exports in the early 1980s was a major factor in the collapse of world sugar prices after 1979/1980. Subsidized sugar exports are estimated to depress world market prices by some 12 per cent. A World Bank study estimates the annual costs at 160 million US$ for Australia and Brazil, $72m for Thailand, $50m for the Philippines and South Africa and $20m for the Dominican Republic.
Because of the drastic decrease in prices, sugar production has been abandoned in some regions - sugar farmers lost the basis of their livelihoods and sugar workers their jobs. For those who could keep their jobs, their working conditions - already miserable - deteriorated even further.

The International Sugar Agreement

Since 1953 there have been various attempts to raise and stabilise world sugar prices through international agreement. The latest agreement in 1977 established export quotas for its parties and intervention stocks in order to withdraw sugar from the market when prices were low. Like most of the previous ones, this agreement ended in failure. This failure was due in part to the fact that the European Union - one of the largest exporters - refused to sign the agreement and took advantage of other countries' export restraints to raise its world market share. The agreement expired in 1984 and no further agreement on price-stabilizing measures has been achieved. All the succeeding agreements have, in general, been limited to market survey and information exchange. The International Sugar Organization has also had serious financial problems.

The agricultural agreement of the World Trade Organization (WTO)

The Uruguay Round of the General Agreement on Tariffs and Trade (GATT) established, in addition to the foundation of the World Trade Organization, the further liberalization of trade. For the first time, the trade in agricultural commodities was affected - including sugar. Theoretically, this could have been significant for the world sugar market, since 94 % of exports come from WTO member states. [13] In particular, the agreement refers to export subsidies, market restrictions and internal price stabilization programmes. The agreement must

[12] cf. Sommer, Ulrich: Der Markt für Zucker (The market for sugar). In: Agrarwirtschaft 50 (1/2001): s.37

[13] UNCTAD (1996): p 5

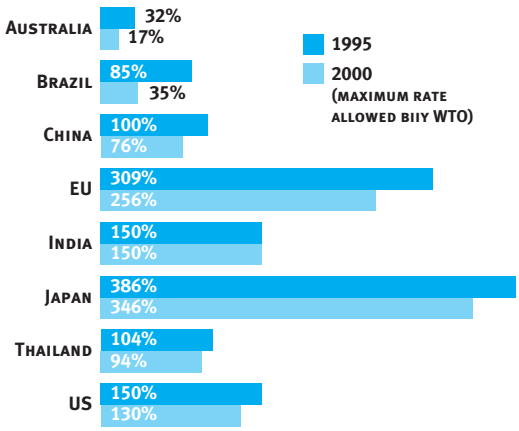
be put into practice in the industrialised countries by the year 2000 and in developing countries by the year 2004. The Least Developed Countries (LDCs) are not obliged to liberalize;[14] they are not, however, significant players in the sugar market. [15]

The agreement in particular:

Reduction of export subsidies

Public expenditure for export subsidies in the industrialised countries will have to be reduced by 36 % and the volume of subsidised exports by 21 %. The equivalent figures for the developing countries are 24 % and 12 % respectively. As a result of the realization of this regulation, the volume of subsidised exports fell from 1.62 million tonnes (1986 - 1990) to 1.27 million tonnes in 2000.

Tariffs on white sugar



Source: GATT Agreement, Countries Schedules, Trade analysis and information system, quoted according to UNCTAD (1996)

Improved market access

All existing access limitations, like variable import duties or quota systems, are to be repealed or changed into fixed duties. These will have to be reduced on average for all products by 36 % in the industrialised countries and by 24 % in developing countries. When the average of tariff reductions is not achieved, the duty for a specific product will only have to be reduced by 15 %. Because of the hitherto high level of protection and because numerous countries made use of the possibility of tariff reduction for sugar below average level, tariffs will be quite high at first and will continue at a high level after the planned reduction.

Reduction of domestic subsidy

In general, domestic subsidies in the agricultural sector are to be reduced by 20 per cent. However, these reductions do not have to be distributed equally among all products. [16] Most countries make use of this margin in order to continue supporting the sugar sector and further liberalise other sectors instead.

The WTO Agreement already provides that, five years after its coming into force, new negotiations will have to be made for a further liberalisation of agricultural trade. Though the 1999 WTO Minister Conference of Seattle failed, negotiations on agriculture started in early 2000. It is unclear how far it will be possible this time to really liberalise highly protected sectors like sugar, as so far neither the EU nor the US have shown much interest.

One EU initiative is worth mentioning here, started not least in order to find allies for the WTO negotiations on agriculture: the so-called “Everything but arms” Initiative of September 20th,

[14] *UNCTAD (1996): p 16*

[15] *ibid, p 5*

[16] *ibid, p 24*

2000. This provides that, from January 1st, 2001 onwards, all Least Developed Countries (LDC) should be granted free EU market access for all goods but arms. Again, no rule without exception: for so-called "sensible" products - like bananas, rice and, of course, sugar - very long transition periods were granted. Due to the massive protest from the sugar lobby's side, sugar from LDCs may not be imported freely before the financial year 2008/09. If the sugar lobby already "mounts the barricades" even for such small and economically insignificant decisions, it is easy to imagine the intensity of resistance against liberalisation of the sugar sector in connection with the WTO negotiations.

Impact on Developing Countries

So far, the liberalisation commitments stipulated in the agricultural agreements of the WTO have shown little effect on the world sugar market. Not only have there been no price rises – which many southern countries had longed for - the trend has even gone to the opposite. As can be seen from the table, most of the tariffs permitted in the industrialised countries are so high as to make imports from abroad unprofitable. The tariffs applied in practice by the majority of countries are lower than those prescribed by the WTO, which gives them the possibility to raise them when needed. De facto, they are thus able to apply a system of variable tariffs, even though this is prohibited. In the areas of price support and direct subsidy also, the politically influential sugar sector has almost completely escaped reduction.[17] The commitments to reduce export subsidies were interpreted so widely that the EU was able to export until 1999 nearly the same quantity of sugar as it had done before the WTO treaties. It is hard to predict as yet to what extent the recently decided quota reductions will lead to a decline in production (and thus in exports) - but a reduction is rather unlikely.

If, however, the continued agricultural negotiations within the WTO really lead to an opening of the sugar markets, this will result in great upheavals. The most affected countries above all would be, besides the producers in the North, developing countries whose production costs are above world market price level, but which - due to domestic protection from imports and to access to the markets of industrialised countries through preference and quota regulations - are important sugar producers and exporters. Consequently, these countries are quite resistant to an effective WTO liberalisation of the world sugar markets and are not interested either in a basic reform of the EU sugar market regulation.

Conditions for Producers

In many developing countries, the income earned by small cane farmers and the wages and working conditions of employees on the sugar plantations are very poor. In many developing countries, sugar is produced on large plantations, whose owners often do not recognise trade unions. The situation of seasonal workers, who particularly are employed during harvest time, is especially bad. They generally earn even less than permanent workers and work by the piece.

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[17] Binswanger, H. and Lutz, E. (2000): Agricultural Trade Barriers, Trade Negotiations and the interests of Developing Countries; paper prepared for the High level round table on trade and development, United Nations Conference on Trade and Development, 10th session, Bangkok, TD(X)/RT.1/8

The North-east of Brazil, the most important sugar region, is at the same time by far the poorest region of the country. In view of the extremely low piece rates, most children of the sugar workers are forced to support their parents in their work in order to cut enough cane to earn the money necessary to survive. [18] Lacking in education and suffering physical and mental defects as a consequence of hard work and malnutrition, these children have practically no other option than to become sugar workers as well.

In the Dominican Republic the conditions of cane cutters, most of them immigrants from neighbouring Haiti, are appalling as well. They live in compounds called batays close to the sugar fields. As many as seven people may live in a single room in barracks without water or electricity. Neither the landowners nor the state sugar corporation, the CEA, provide adequate health services, so children die needlessly from preventable diseases. Despite government pronouncements, there is still evidence of forced recruitment and of workers being prevented from leaving plantations.

In Thailand, by contrast, sugar has provided farmers with a good and stable income for a number of years. Sugar is produced mainly by small farmers (the average farm size being about 6.2 hectares) and since the 1960s cane growers' associations have represented their interests with considerable force. Since 1970, the growers' associations have negotiated a fixed price for each season's crop with the cane millers, and in 1984, an Act of Parliament ensured that the annual revenue from total sugar sales was shared between farmers and milers in a ratio of 70:30. Thus the farmers have been able to profit from growing sugar exports since the early 1980s. Favourable physical conditions - climate and fertile soil - and a modern, low-cost processing industry are the main reasons for the industry's success. The breakdown of world market prices for sugar of the last two years, however, has caused big problems to Thai cane growers as well. The current world market price of slightly more than 6 ct/lb is about 30 % below production costs. The Thai Government reacted by granting a loan to the sugar industry in order to pay farmers a price for their cane that covers their costs. The difference, however, is a loan to the farmers for their part and has to be repaid later. [19]

National policy and world prices

It is therefore clear that countries' internal policies and priorities have a very significant impact on the conditions of the world's sugar farmers and workers. Workers in the Dominican Republic, the Philippines and Brazil see few benefits when the price of sugar on the world market is high. Even in Thailand, the social situation of seasonal workers from the poor North is far from being good. They are the ones to be most affected when the industries are in crisis as a result of falling prices. Permanent workers are dismissed and many seasonal workers are no longer hired. Wages are depressed further below subsistence level or are not paid out at all: the current situation for permanent sugar workers in Brazil. [20]

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[18] Trajtenberg, M. (1998): Brazil works with IPEC to put child labourers back in school and on playgrounds; in: World of Work - The magazine of the ILO, No. 23, February

[19] Chaitron, W. (1999): Cabinet rejects hike in sugar prices; in: The Nation, 24.11., Bangkok

[20] NN (2000): Brazil: FETAPE mobilises against non-payments to workers; in: The sugar worker - Information and Analysis for unions in the sugar sector, vol. 2, no. 1, January, p 1

Higher world market prices would at least assure employment and the opportunity of achieving a higher income. This is clear from the history of the ACP countries (see box), which receive a high price for their sugar exports to the EU. Even in states where ineffective government has reduced the sugar industry to a dilapidated state, as in Guyana in the 1980s, the conditions of the workers cannot be compared to those in a country like the Dominican Republic. In other ACP countries, revenue from the sugar industry has been used to provide pension funds, better housing conditions and health services for the sugar workers.

Fair Trade in Sugar

One of the problems in establishing Fair Trade arrangements with sugar is that, unlike coffee and cocoa, sugar can be produced in the importing countries as well. Therefore, there is direct competition between North and South and, as discussed above, many countries protect their own producers by means of high tariffs. EU tariffs, just like before, are so high that the level is by far above the minimum price valid in the EU. Fair Trade imports are quite expensive because of this policy. So the price of 1 tonne of fairly traded white sugar is 520 US$. [21] Import duties for non-EU commodities amount to 450 US$ at present, with EU internal prices being nearly twice as high.

Another problem is the fact that sugar cane needs to be processed into raw sugar immediately after harvesting, and mills are expensive. Furthermore, sugar is usually exported as refined white sugar and the technology needed is quite capital-intensive. Again in contrast to coffee and cocoa, very few small-scale producer cooperatives exist in the South that are capable of producing export-quality sugar.

Despite these difficulties, some sugar has been fairly traded in Europe since the mid-1980s. Import quantities have been rising slowly but steadily. In 2000, the labelling organisation FLO (Fair Trade Labelling Organisations International) put its seal on a quantity of more than 800 tonnes. Today, the FLO sugar register includes 10 producer organizations - most of them from Central or South America - which offer all kinds of qualities: whole cane and white sugar, from ecological and conventional production. To give an example, two organisations are described below:

Since 1991, unrefined whole cane sugar, mascobado, from the Philippines - the island of Negros - has been imported by Fair Trade Organizations. The Philippine trading organisation “Alter Trade” buys the sugar cane at a fixed price from the small-scale producers and cooperatives. The price is not only higher than that paid by the commercial “sugar centrals”, Alter Trade also collects the cane immediately after harvesting. Producers would otherwise have to arrange and pay for their own transport. Romeo Malalay, chairman of one of the cooperatives supplying Alter Trade says, “When we were under the landlords, we were just workers cultivating and harvesting sugar cane. We earned just enough income to live, but with no leeway. Now with the coop all our earnings are shared. We have the leeway to decide what to do with the money.” With the advice and payment of higher prices from different European Fair Trade organisations part of the cultivation could be converted to organic production. By the way,

[21] *Fair Trade Labelling Organisations International: Criteria and Conditions for fairly traded Cane Sugar, January 1995*

The Philippines

From the beginning of this century until the mid-1970s, the Philippines exported virtually all its sugar to the US under a special agreement. In 1970, sugar accounted for about 18 per cent of the country's export earnings. From the mid-1970s, access to the US market was continuously reduced and exports to other countries at world market prices grew. In the early 1980s, two combined factors led to the breakdown of the Philippine sugar industry. The US stopped the quota agreement indefinitely in order to put pressure on Marcos' regime and to react to the sunken demand for sugar from the soft drink industry, which was switching to sweeteners using syrup made from maize. At the same time, the world market price for sugar fell drastically below Philippine production level. [22] *Consequently, there were mass dismissals that led to famine - especially on Negros, which is almost exclusively dependent on sugar production. Desperate sugar workers tried to farm the land that the estate owners could not afford to cultivate. But they were prevented from doing so by the estates' private armies. In the years to come, however, sugar workers and their trade unions managed to enforce some improvements against the stubborn resistance of many plantation owners. On many plantations, workers have now access in order to cultivate food crops for self-consumption. They either occupied the land or got it after negotiations led by their trade union (National Federation of Sugar Workers). Nevertheless, the sugar workers' situation is still poor. Even according to the official statistics, 41 % of the population of Negros live below the poverty line. Even permanent workers usually receive less than the official minimum wage, approximately 90 pesos per day. Seasonal har-*

mascobado was used in the first fairly traded chocolate of the world: Mascao. Meanwhile, there is a series of chocolate brands - especially in Switzerland - whose ingredients come mainly from Fair Trade.

In organizational structure and, above all, in production volume, the cooperative Coopeagri in Costa Rica is quite different from Alter Trade. Coopeagri is a large cooperative with about 5000 members of whom 670 are cultivating sugar cane. Coopeagri is one of the few cooperatives with its own refinery, giving members the possibility of producing white sugar themselves. It employs 30 permanent and 95 temporary workers. It owns a finca with 49 permanent workers. Social security and health insurance are available for all employees. Sugar provides about 25 % of the cooperative's income and is the second most important product after coffee (37 %). Coopeagri's production capacity is of 5600 tonnes of white sugar at present. Even though the proportion of total production that is exported on Fair Trade terms is small (160 tonnes in 1998), the higher returns allow for important investments in technology and social security.

In total, the volume of fairly traded sugar is still very low. But quantities have been growing and continue to grow, mainly due to the new composite products that are being developed and marketed. Hopefully the presence of this sugar on the market will at least provoke discussion on the unjust world market situation and, above all, on the possibilities and necessi-

[22] *NN (1999): Impact of the GATT on the Philippine sugar industry; IBON special release, no. 45, June, p4*

vest workers earn between 10 and 30 pesos per day, according to their piece rate performance. [23] *But for many of the landless or nearly landless people on Negros, working on the sugar plantations is still the only possibility of assuring themselves at least a minimum income.*

Since the early 1990s, the Philippine sugar industry has been recovering, due to higher world market prices and re-improved access to the US market. [24] *In 1994, 413' 000 people worked as farmers or workers on sugar farms, plantations or mills. In 1997, there were still over 200' 000 sugar cane growing entities. 70 % of all farms are smaller than 5 hectares, but only 7 % of their surface is for sugar. In contrast, 4 % of all farms with more than 50 hectares hold more than half of the sugar cane surface.*[25] *A possible liberalisation of the sugar world market is threatening the Philippine sugar sector from two sides. When the US liberalise their sugar market, the sugar that has so far been imported under preference quotas from the Philippines will then be imported from competitive countries like Brazil, Thailand and Australia. Those producers could also replace the Philippine sugar producers on the domestic market when these tariffs are reduced. The Philippines already import more than 70' 000 tonnes of sugar.* [26] *Even though it is estimated that an effective liberalisation of the sugar markets would slightly push up world market prices, the Philippine sugar industries would have to become much more efficient in order to be competitive on the world market.* [27] *The small units in particular, which lack both land and capital to mechanise further, would be forced to close.*

ties of a reform of the EU sugar policy – one that will serve the interests of all and not only of the sugar beet farmers and especially the sugar industry in the North.

[23] *ibid, p 22 ff*

[24] *ibid, p 6*

[25] *ibid, p 18*

[26] *ibid, p 8*

[27] *ibid, p 22 ff ibid*

The ACP Countries

In 1975, the European Union signed the Lomé Treaty with then 68 (today 71) states in Africa, the Caribbean and the Pacific (the so-called ACP countries, all of them former colonies). The treaty, which is still in force today, stipulates trading and development relations between the European Union and its former colonies. Expiration of the convention was fixed for the end of February 2000. Negotiations on a new treaty were concluded shortly before that date: on February 4th, after long discussions, the parties agreed upon a new cooperation agreement for the duration of 20 years. It was signed on June 23rd and will come into force at the end of its ratification, which is expected to be in September 2002. To demonstrate the new character of the treaty, its name was changed from "Lomé-Convention" into "Cotonou-Convention".

History

Since the convention took effect, its pilot character (as a positive arrangement of relations between North and South) has been stressed again and again. Thus the relationship stipulated in the agreement which is still valid is, on the one hand, characterised by a high demand of partnership and, on the other hand, by the combination of development cooperation and trade agreements (the latter one corresponding to the principal of "trade not aid"). Important elements of the treaty include the granting of unilateral trade advantages to developing countries, i.e. access of ACP exports to the EU that are almost free of tariffs and duties, and a programme for the stabilisation of export earnings for raw materials (STABEX). This considers the idea that such a difference in the development level of economies has to be taken into account in the fixing of trade relations. Within the EU, the cooperation between the ACP countries and the EU has increasingly been criticised in recent years. In view of increasing marginalisation on the world market of the Black African states in particular, the efficiency of the measures granted has been questioned. Furthermore, the EU has repeatedly argued with the lack of WTO conformity: the preference principle is said to be violated, because it requires that preferences conceded to a WTO member must be granted to all the others as well. At the beginning of the negotiations about a new convention, the EU thus made proposals for a basic reform of relationships. According to the EU, free access to EU markets should be dependent on the ACP countries opening their markets for EU products (so-called reciprocal opening) and the existing agreement should be replaced by regional free trade agreements, so-called regional partnership agreements with the long-term aim of integrating the ACP countries totally into the international economic system. The convention's lack of WTO conformity always mentioned by the EU can only be classified as a pleaded argument. Finally, the EU's attitude shows the different interest constellation which changed now years ago: the ACP countries - once interesting for strategic and economic reasons - have rather become a "handicap" to be got rid of as soon as possible. Last but not least, the EU wants to use such a reform in order to get access to the outlet markets in the ACP countries.

To the very end, the ACP countries defended themselves vehemently against the clear-cutting of trade agreements aimed at by the EU. For them, a free trade agreement among such different market partners would threaten their own economies, for their industries and agriculture would be exposed without protection to European competition and its partially high subsidies.

Results

Negotiations on a new convention were quite difficult, due to opposing positions. Therefore, the fact alone that an agreement could be achieved has to be classified as a success. In the field of trade, the following central agreements have been achieved: [28] *Those 33 ACP countries which do not number among the least developed countries (LDCs), the agreement stipulates Regional Economic Partnership Agreements - REPA), as before. The preparatory phase is 8 years and the transitional period 12 years. For the ACP countries, this means at least a breather. For the duration of this period, the trade preferences in their favour will remain valid. Those 39 ACP countries which number among the LDCs will be free to decide whether or not join the REPA. As an alternative, they will be offered a "system equivalent to Lomé". It is, however, not clear yet how such a system will look like. At the same time, the EU has decided to abolish tariff barriers almost completely for all the LDCs. But "almost completely" means to be able to continue protecting some especially sensible sectors. These will be, besides textiles, sugar and rum, which is little surprising.*

It is still difficult at present to give an ultimate rating of the development aspect. It is true that the ACP countries have been able to achieve amendments on some points such as the transitional period. But it is already clear that the EU has realised its reforms so that finally, almost nothing has been saved of the "spirit of Lomé".

A special case: the Sugar Protocol

One important component of the Lomé Convention is the Sugar Protocol signed by 16 ACP countries, according to which the EU imports 1.6 million tonnes of sugar each year, at prices closely related to the high prices received by EU sugar beet farmers. This Protocol is a blatant example of the lack of coherence between the development policy of the EU and its agricultural policy. On the one hand, some countries are granted free market access and relatively high prices, while on the other its agricultural policy has been an important factor in the depression of world sugar prices for years.

Although the ACP countries who signed the Sugar Protocol are a diverse group showing great differences with regard both to their general economic situation and to their sugar economies, what they have in common is that the production and export of sugar to Europe is of vital economic importance to them. Among them are the small ACP countries of the Caribbean with their high-cost production (like Jamaica, Barbados, Trinidad and Tobago) and those whose entire economy has been based on sugar since colonisation (like Mauritius and Guyana). Their sugar industries would not be competitive at all if they had to produce exclusively for the world market. Overall, the ACP sugar industries and related economic activities employ almost 700' 000 people. [29]

At first sight, the Sugar Protocol seems to be a generous concession granted by the colonial powers to their former colonies. However, the historical context throws a different light on it. The agreement was drawn up in 1973 when Great Britain joined the European Union, and it was necessary to ensure the supply of raw sugar to British sugar refineries, which specialised in the processing of raw sugar. At that time, the European Union still had to import sugar and world market prices were relatively high. Consequently, there was a great interest in long-term treaties in order to ensure sugar supply at what were then relatively attractive prices. Shifts in the world sugar market and a drastic increase in EU internal production led to a

[28] *cf. Meyer, Sabine (2000): Lomé ist tot - es lebe Fidschi! In: Informationsbrief Weltwirtschaft und Entwicklung 2/00, p 1*

[29] *cf. no author (1997)*

completely different interest constellation within a short time. Many people now regard the Sugar Protocol as a historical relic rather than a useful economic contract: the same quantity of sugar imported from ACP countries has to be placed on the world market with the help of high export subsidies and in addition to excess production volumes. As before, the rather pleaded argument is that the Protocol cements unilateral dependence on sugar and on structures that help to avoid economic development instead of promoting it.

With this argument, different parties have again and again advocated the basic revision or even total abolition of the Sugar Protocol in recent years. It is all the more astonishing that the Protocol itself remains untouched by the recently decided radical reforms of the Convention as a whole. One reason therefore could be that the European Union, which - given its protectionist attitude - is urgently dependent on allies for the forthcoming WTO negotiations, thus wants to ensure itself the support of the ACP countries. The signatories of the Sugar Protocol can recover. For many of them, its abolition would have had fatal consequences for their economies, as the following examples of Mauritius and Guyana show. However danger may now be impending from another agreement: the "Everything but arms" Initiative of the European Union. Many ACP countries which really do not offer sugar at low level prices, now fear to be ousted from their position as "traditional" EU suppliers by other Least Developed Countries, which, in a few years' time, will get free access to the EU market too. No doubt, this is a point that should be kept in mind. On the other hand, those countries seem rather unlikely to be able to build up substantial sugar export capacities.

Mauritius

Mauritius is the country with the highest EU import quota. Of the 650'000 tonnes of sugar normally produced per year, about 500'000 tonnes go to the European Union. Until the end of the 1970s, nearly 90 % of the country's export earnings were achieved by the sugar sector. [30] *Meanwhile, the country has made enormous efforts to diminish its economic dependence on sugar, like the establishment of a textile industry. Today, 22 % of all export earnings are still achieved by sugar sales. Since import requirements are much lower than for other sectors, the net contribution to the balance of payments is rather 40 %.* [31] *Sugar cane cultivation is practically the only agricultural activity of Mauritius. The sugar surface is 84'000 hectares, i.e. 93 % of the whole cultivable surface.* [32] *The sugar sector grants employment to 35'000 small farmers and as many plantation workers. The government of Mauritius argues that the climate of the island, which is often affected by droughts and cyclones, makes the large-scale cultivation of other products unprofitable.* [33] *It is true that the sugar cane crop is affected as well, but it recovers much better in the years following. The waste from the sugar cane processing is burnt and used for the generation of electrical power.* [34] *Plantation own-*

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[30] *CIIR (publisher) (1994): Sugar - Europe's bittersweet policies, London*

[31] *WTO (1999): Multifunctional of Agriculture in Small Island Developing States - Paper by Mauritius; Informal Paper AIE/51, 10 March, p 5*

[32] *Public relations office of the Sugar Industry (Prosi): Land use for cane cultivation; Http://prosi.net/landuse.htm*

[33] *WTO (1999): Multifunctional of Agriculture in Small Island Developing Sates - Paper by Mauritius; Informal Paper AIE/51, 10 March, p 5*

[34] *WTO (1999): Multifunctional of Agriculture in Small Island Developing Sates - Paper by Mauritius; Informal Paper AIE/51, 10 March, p 6*

ers claim to grant the sugar workers comprehensive social services: plantation-owned medical centres, education, free transport of schoolchildren to the towns, and the organisation of sport events. [35] *At 75 %, organisation in trade unions is quite high.* [36] *There is a pension fund for sugar workers, which is administrated by both employers and employees, and complements the public pension fund.* [37]

As Mauritius numbers among the raw sugar producers with the highest cost level, [38] *it is not interested at all in a liberalisation of the European sugar market by means of a WTO agreement or a reform of the European agricultural policy, as long as it profits from the ACP Sugar Protocol.*

Guyana

This country was founded by the colonial powers exclusively for the purpose of sugar production for Europe. Today, it has the third biggest import quota with regard to the ACP Sugar Protocol and sugar exports account for approximately one third of its foreign exchange earnings. The sugar industry is the country's most important employer, i.e., direct or indirect, for ca. 20 % of the population. In the 1980s, the country experienced a catastrophic economic crisis, the causes of which were mainly in the sugar sector. On the one hand, world market prices for sugar fell drastically, on the other, mismanagement of plantations and sugar refineries - which had become state-owned in the 1970s - caused a fall in production by more than half. [39] *Thus, not even the export quota of the ACP Sugar Protocol could be fulfilled. In 1990, besides other economic reforms, the private enterprise Booker Tate was charged with the management of the national sugar factories. Real salaries were raised by 50 % in two years and by further 40 % between 1992 and 1997.* [40] *Thus the sugar industry became interesting as employment for experienced workers. Together with a more competent management and improved possibilities for importing necessary machinery and starting materials, this led to a permanent rise in sugar production with sinking production costs. In 1999, with 321'000 tones, the biggest crop within 20 years was achieved.*[41] *At 17 cts/lb, however, domestic production costs are still far above world market price. Cost saving will only be possible through the reduction of working places and through more intensive mechanisation: for 50 - 55 % of the total costs are personnel costs.* [42]

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[35] Prosi: General Welfare on Sugar Estates; Http://prosi.net/simau97/ch5gen.htm

[36] Prosi: Trade Unions; Http://prosi.net/simau97/ch5tu.htm

[37] Prosi: The Sugar industry pension fund; Http://prosi.net/simau97/ch5sipf.htm

[38] Boolell, A. Minister of Agriculture, Food Technology & Natural Resources (1999): Speech at the Annual General Meeting of the Mauritius Sugar Syndicate, September 23

[39] Loxley, J. (1999): Structural adjustment and agriculture in Guyana: From crisis to recovery; International Labour Organisation, Sectoral Activities Programme, Working paper SAP 284/WP143, Geneva, p 17

[40] Loxley, J. (1999): Structural adjustment and agriculture in Guyana: From crisis to recovery; International Labour Organisation, Sectoral Activities Programme, Working paper SAP 284/WP143, Geneva, p 18

[41] NN(2000): Guyana: Record production and cost reduction; in: The sugar worker - Information and Analysis for unions in the sugar sector, vol. 2, no. 1, January, p 4

[42] Loxley, J. (1999): Structural adjustment and agriculture in Guyana: From crisis to recovery; International Labour Organisation, Sectoral Activities Programme, Working paper SAP 284/WP143, Geneva, p 20

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8 Bananas:

Straightening the bent world of the banana

Anne-Claire Chambron

Bananas are the fifth most important agricultural commodity in world trade after cereals, sugar, coffee and cocoa. It is a major staple food crop for many millions of people in areas of Central, East and West Africa, Latin America and the Caribbean. They grow easily, are cheap sources of energy and vitamins, and can be harvested all year round, thus providing a source of energy during the "hungry gap" between crop harvests.

Out of the 86 million tonnes of bananas and plantains[1] produced annually, only 14% are traded on the world market. Six countries (India, Brazil, Ecuador, Philippines, China and Indonesia) account for 55% of total world production. The two biggest banana-producing countries, India and Brazil, are hardly involved in the international banana trade at all. The United States, Europe and Japan are the main importer of bananas. In 1995, world banana trade was valued at over 7 billion Euros, with the European Union being the largest importer. Each of the 350 million EU citizens now consumes an average of just over 10 kg per year.

The biggest part of the crop is grown by millions of small-scale farmers in the tropic for household consumption and/or local markets. Most of this production is achieved with few or no external inputs. However, once a producer grows for export markets to consumers in the industrialised world, considerable and growing levels of 'external' inputs (seed, chemicals, fertilisers) are required to effectively compete in those markets.

Worldwide trade is controlled by a few multinational corporations. The trade in bananas generates huge profits. But, workers on medium- and large-scale plantations and small farmers supplying the world market only get a tiny share of these benefits (respectively 1-3% and 7-10%) and only 12 percent in total of the revenues remain in the producing countries[2]. Growing competition and fall in prices have led producers to seek productivity gains at the cost of an increasingly negative impact on labour and the environment.

Since the first launch of Fair Trade labelled bananas in the Netherlands in November 1996, the banana Fair Trade market has been literally booming: over 20,000 tonnes of Fair Trade bananas were sold in 2000, half of which in Switzerland. Fair Trade bananas come from eight Southern countries, and are available in 12 European countries. Switzerland and Britain are the biggest markets. Italy and Finland show the biggest potential.

The consumer guarantee is provided by labels such as "Max Havelaar", "TransFair" and "The Fair Trade Foundation" breaking new grounds by including environmental criteria with the better-known social criteria. Fair Trade bananas are imported through independent importers and a Fair Trade company, Agrofair, owned half by the producers and half by Solidaridad, a Dutch development NGO. Producers are receiving between 40% and 80% more than world prices. The price structure also allows for a 'premium' to be invested back in social and environmental improvement programmes developed by producer organisations. The Fair Trade price paid by consumers is usually higher than the conventional price varying between 25 and 50 percent more according to size of the market and the 'reaction' of competitors. In Switzerland, however, consumers pay the same price for Fair Trade and non-Fair Trade bananas, showing thereby what can be achieved when margins are simply trimmed all along the chain.

Who benefits from the exports?

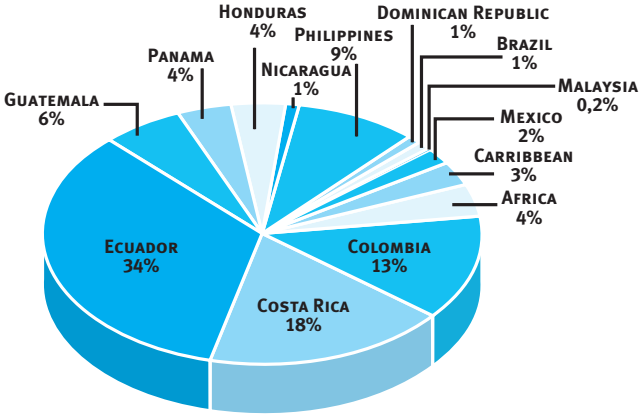
Production patterns

World banana production amounts to some 50 millions tonnes per year. In 1990, Latin America is the main producer with 43%, Asia is second with 40%, whilst Africa represent about 10% of

[1] *Plantains are a variety of green bananas which is consumed cooked as a vegetable.*

[2] *Source: Banana Link*

World exports of bananas 1998



Source: FAO

the total. Six countries (India, Brazil, Ecuador, Philippines, China and Indonesia) account for 55% of total world production. The two biggest banana-producing countries, India and Brazil, are hardly involved in the international banana trade at all.

The differences between exporters are significant in term of the prevailing production systems and costs of production. The major contrast is between plantation production of Latin America and the smallholder production of the Caribbean Islands. Given the topography of the latter, plantation production and the potential to reap economies of scale is not generally possible. Farms are typically less than five hectares and demand a labour intensive production system. This is in stark contrast to plantations of Latin America, which may extend over 3,000 hectares, and require massive capital investments in roads, drainage and irrigation, cableways and packing facilities. Such investment costs can reach US$15,000 per hectare (Inibap 2000) not including the price of the land. While production costs on the plantations are low, an unhappy history of low wages, limited workers' rights, poor working conditions and consequent political and social unrest has attracted much concern over many years.

The importance of banana exports in the economy of producing countries varies greatly. In Ecuador, the main exporting country, the banana industry employs over 380,000 people. Bananas are Costa Rica's largest single export, and are a source of employment for at least 150,000 people[3]. In the mid-1970s, in Costa Rica and Honduras, bananas represented between 5% and 10% of agricultural employment. In 1993, they represented 22.3% and 25% respectively of foreign exchange from exports.

Revenue of the major banana multinationals *(US$ m)*

	1995
Chiquita	*2.566*
Dole	*3.804*
Del Monte	*1.068*
Total	*7.438*
For comparison	
*Total banana export revenue main ACP countries exporting bananas**	*262 (f.o.b. 1993)*
Total ACP export revenue (all sectors)	*6.608*

Sources: UNCTAD Commodity Yearbook 1995, CIA World Factbook 1995

** Côte d' Ivoire, Cameroon, Suriname, Somalia, Jamaica, St. Lucia, St. Vincent, Dominica, Belize, Cape Verde, Grenada, Madagascar.*

A market controlled by a handful of multinational companies

Banana exports are dominated by 5 multinational companies (TNCs) controlling over 75 percent of the world trade: United Brands (United Fruit Co.), known to the consumer under the brand name Chiquita (USA) 26% in

3 *Source: FLO International*

Hurricane Mitch

October 26, 1998 marks a tragic date in the history of Honduras. On that day, Hurricane Mitch, classified as the largest atmospheric phenomenon of the century, hit the country with full force and, according to the Ministry of Agriculture and Livestock, the losses for the banana sector alone amounted to 70% of the total Honduran banana production (US$ 207.4). Tela Railroad Co. (a subsidiary of Chiquita) was the multinational most affected since its production area was reduced to zero. So far, Chiquita has only rehabilitated 20% of its pre-1998 plantations and Dole 25% (Dole lost 1/4th of its surfaces). Mitch enabled companies to temporarily suspend thousands of workers and denounce existing conventions. Workers are slowly re-employed not by the banana companies though, but by the companies hired to rehabilitate damaged land. This enable banana companies to eliminate any contractual relationship with workers, to remove job guarantee and labour rights (i.e. sick pay, exclusion of family members from medical benefits, additional charges for medical consultations, personnel reduction, priority given to non-unionised workers, etc.). Independent producers and women have been the groups the most affected: women because they traditionally carry out packing activities and they are the last group to be re-employed in the rehabilitation process. Although the Honduran government established a banana production development and expansion fund to assist independent banana producers to rehabilitate their plantations, the fund is still not enough to aid the great number of affected producers. 85% of the surface cultivated by independent producers was destroyed. In addition, in order to have access to this type of financing for an 8-year term, independent producers are required to submit sales contracts with multinational vendors who market the fruit internationally. This situation basically requires that the independent producers commit to future sales in a highly vulnerable market with decreasing prices, leaving the growers in an extremely exposed position, highly dependent on the multinationals and on the verge of economic bankruptcy.

Source: US Labour Education (09/2000)

1999 Dole Food Co (USA) 25%, Del Monte Fresh Produce (UAE/Mexico) 8%, Fyffes (Ireland) 8%, Noboa (Ecuador) 8%. Chiquita, Dole and Del Monte control alone 43% of the European market, which allows them to influence prices and, to a certain extent, to set the rules of the game. In comparison with the sales figures of the 'big three', many producing countries look tiny. Most significantly, the combined ACP export earnings from bananas are only around 10% of Chiquita's total sale, and only 4% of the three banana companies' sales.

This oligopolistic structure of the banana trade is largely connected with what is referred to as the vertical integration of these companies. They own large-scale banana plantations, special refrigerated ships and distribution facilities in consumer countries. Such vertical integration allows them to achieve considerable economies of scale. It enables them, for instance, to continuously supply quality products at a relatively low price. The companies have been able to maintain high levels of profitability from their banana production and trading activities. In mid 1999, the official price in Ecuador was $3.20 per 40-pound box, while in Costa Rica it was

$5.85. In both countries the price fell by the end of 1999, to $2.20 in Ecuador and $5.00 in Costa Rica. The difference is in fact even greater than meets the eye, because even though Ecuadorian exporters are required by law to pay at least the official price, the large exporters often flout it, paying independent producers as little as $1.00/box in late 1999. Meanwhile, a European wholesaler sells Ecuadorian bananas to retailers at around $25/box![4]

TNC on the EU market

International and National Banana Companies
Most Active in the EU Banana Market (Banana Link 99)

Multinational (Headquarters)	*Production*
Chiquita Brand International (USA)	Costa Rica, Honduras, Guatemala, Panama, Colombia, Indonesia, Côte d'Ivoire, Cameroon, Ecuador, Martinique, Belize, Suriname, Jamaica, Philippines, Dominican Rep., Canary Islands
Dole Food Company Inc. (USA)	Costa Rica, Honduras, Cameroon, Côte d'Ivoire, Philippines, Indonesia, Colombia, Ecuador, Nicaragua, Venezuela, Jamaica, Somalia, Canary Islands
Del Monte Fresh Product (USA, Chile, Mexico)	Costa Rica, Guatemala, Ecuador, Panama, Brazil, Mexico, Cameroon, Philippines
Fyffes (Ireland)	Belize, Dominican Republic, Windward Islands, Costa Rica, Honduras, Guatemala, Ecuador, Colombia, Jamaica, Suriname, Canary Islands
Pomona (France)	Côte d'Ivoire, Martinique, Guadeloupe, Ecuador, Colombia, Costa Rica
Geest (UK) (1)	-
National	
Noboa (Ecuador)	Ecuador
Uniban, Banacol (Colombia)	Colombia
Corbana (Costa Rica)	Costa Rica
JAMCO/Jamaican Producers (Jamaica/UK)	Jamaica
WIBDECO (Windward Islands/UK)	Windward Islands
Bananic (Nicaragua/Belgium) (2)	Nicaragua
Somalfruit (Italy/Somalia) (3)	Somalia

(1) Geest's banana division was sold to a 51:49 joint venture of WIBDECO and Fyffes in December 1995. Their 11 Costa Rican plantations were re-sold by Fyffes/WIBDECO to a consortium of Central American businessmen in March 1996.Geest, however, still is a distributor on the British market.

(2) Bananic has not been selling bananas in the EU market since November 1993. The company currently lives from just trading licences and leasing quotas.

(3) Somalfruit's operations have been seriously hampered by continuing civil war since 1991, but managed to export nearly 25,000 tonnes in 1997.

4 *Source US LEAP/COLSIBA*

The multinationals are usually associated with Latin American countries where they are directly involved in the production of around 60% of their export supply. Only Ecuador and Colombia have had any success in reducing their dependence on the multinationals, but access to the market remains problematic for smaller or newer players. They are usually entirely dependent on sporadic contracts and low prices fixed by the import companies, and/or have to rent the infrastructure of the big companies. Though the banana industry represents a crucial source of revenue for both countries, the social and environmental price paid is excessive: deforestation, contamination of soils and water ways, deregulation of existing labour and environmental laws, poisonings, low wages and job insecurity are the norm.

Over the last decade, TNCs have developed large-scale plantations in Cameroon and Côte d'Ivoire, and in the Far East following the same model applied in Latin America. Most of the banana exports of Cameroon for instance are controlled by Dole and Del Monte (through a joint venture with CBC), whereas Del Monte has strengthened its position in the Philippines, North-eastern Brasil and Sumatra, Indonesia while Dole is rumoured to be seeking lands in South Asia. In the Windward Islands, the situation is different: the take-over of the British firm Geest by WIBDECO and Fyffes in 1995, enabled the Caribbean government to put an end to Geest's monopoly, and to take production in hand. But, transport, ripening, distribution and marketing remains in the hands of Fyffes.

The constant pressure for low-cost production is worsening labour conditions. All companies are increasingly trying to settle in the Far East, in countries like India and Indonesia. The attraction is evident: a vast cheap labour pool, non-existent workers' benefits or occupational protection, the absence or near absence of environmental safety regulations, tax breaks and the opportunity to market products at monopoly prices. Capital is produced by labour. A recent study of the pineapple sector in the Philippines found that a worker in the Philippines gets US $3.50 a day, while in Indonesia only $1.61 is paid (CNMS 1999). This is to be compared with US $10 per day in Costa Rica or $6.42 in Ecuador (US LEAP 2000). Dole is known to make major cuts in Costa Rica, Nicaragua and Venezuela, Del Monte is dramatically reducing its own work-forces in Costa Rica and Guatemala; and though Chiquita promised full rehabilitation in Honduras after hurricane Mitch, things look far from certain. It is already known that Del Monte has new plantations in North-eastern Brazil and Sumatra, Indonesia and has used the threat of shifting to these production zones when labour unions in Central America have sought to resist the cuts the company has applied. Chiquita is said to have bought 6,000 hectares in Ecuador, whilst Dole has been strongly rumoured to be seeking lands in South Asia.

Social and environmental impact of intensive banana production for export

Banana exports have increased steadily since 1950 and the prices have fallen in real terms. Increased production in producer countries has been achieved both by improving yields and increasing the areas under cultivation. However, at the beginning of the 1980s, it had become virtually impossible to improve yields significantly in Latin America. As a result, the increase in exports from these regions in the past decades or so has been achieved mainly through

increasing the amount of input (fertilisers and pesticides) and the cultivated area. For the ACP countries, the guarantee of access to the European market since 1985 has made it possible to double (or even triple in the Caribbean) the quantities grown and exported.

Water pollution and soil contamination

The EARTH College (Escuela de Agricultura de la Region Tropical Humeda) estimates that of the fungicides applied by aeroplanes some forty times during each cultivation cycle, 15% is lost to wind drift and falls outside the plantation, 40% ends up on the soil rather than on the plants and approximately 35% is washed off by rain. This results in a 90% loss of the estimated 11 million litres of fungicide, water and oil emulsion applied each year to the banana production regions. Furthermore, for every ton of bananas shipped, two tons of waste is left behind, not least mountains of plastic bags sprayed with herbicides.

In 1992, the second International Tribunal on Water in Amsterdam condemned for the first time the Standard Fruit Company (Dole) for seriously polluting Costa Rica's Atlantic region through its banana plantations in the Valle de la Estrella[5]. Yet, after many years of massive applications of pesticides, the incidence of pests in banana plantations has not been noticeably reduced. On the contrary, scientists argue that there are more pests today than 50 years ago as insects are becoming increasingly resistant. In the last two years, there have been small improvements including increased control over the spraying of toxic pesticides. The World Bank, for instance, has prohibited the use of paraquat in projects they are financing, and Chiquita claims that they have discontinued the use of this product it its plantations. Often, plantation owners simply adapt by rotating the labour force rather than by improving working conditions or reducing the use of pesticides. They use temporary labour on three or six month contracts for the dangerous tasks. Protective clothing is provided, but the design is uncomfortable and not adapted to tropical climate.

The human cost

Costa Rica[6] is at the top of the list of countries with a high incidence of pesticide poisonings. The average consumption of pesticides per capita is 4 kg per person per year - eight times as high as the world average of 0.5 kg - and twice as much as the average in Central America[7]. Studies conducted by the National University of Heredia reveal that rates of pesticide poisonings are three times higher in the banana regions than in the rest of the country. According to a 1993 report, banana production rates first for occupational accidents (72%), followed by decorative plant and flower production (7%), sugar cane (6%), coffee (5%), pineapples (4%) and pesticide manufacturers (2%). A 1999 study by the same organisation revealed that women in the country's banana packing plants suffer double the rate of leukaemia and birth defects.

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[5] Source: US LEAP

[6] It is estimated that the once thriving coral reefs along Costa Rica' s coast is now 90% dead as a result of pesticide run-off and sedimentation (Fundación Güilombe, 1993)..

[7] Costa Rica is not the country where the situation is worst, but one of the only countries in Latin America for which data are available.

Case study: Ecuador

The banana sector has been an important pillar of the Ecuadorian economy since 1950, when favourable natural conditions on the coastal plain and a rising price level led to a rapid expansion of production. In 1952, Ecuador had already become the world's largest exporter. In the late 1980's, the approaching integration of the European Union and the opening up of new markets in the former socialist countries led to high expectations of growing demand for bananas. In anticipation, Ecuador expanded its production of bananas more than any other country. Large and medium-sized producers increased their area of farm-land and invested in higher outputs per hectare. Small farmers, in particular cocoa producers, converted to small-scale banana cultivation. Total exports thus doubled from 1.36 million tonnes in 1986 to 2.7 in 1991 and 4.4 million tonnes presently. After petroleum, the banana export is the country's main source of foreign exchange, accounting for 22% of its export earnings in 1992.

To encourage investment in new production techniques, Standard Fruit Company (Dole) introduced a method that was soon adopted by other exporters. Dole concluded contracts with major producers for a period of five years, under which the producer agreed to supply exclusively the company. In exchange, the so-called 'productor asociado' received credits and permanent technical assistance. This exporter-producer relationship stepped up productivity on the plantations, but Dole took no responsibility for the working conditions and payment of the plantation workers. In addition to these associated producers, there was also a group of independent producers who served as a 'buffer' to accommodate fluctuations in the demand for bananas on the world market. They sell their bananas through the traditional system of 'cupos', which means that exporters purchase part of the crop to increase the volume of exports when necessary. This system is governed only by the laws of supply and demand, without any of the parties entering into obligations through contracts or loans. The only facility provided by the exporter is the packaging. Transport is normally arranged by the producer or an intermediary. The position of this group of producers is even poorer than that of the 'productor asociado'. They have no guarantee that there will be a buyer for their fruit, which makes their dependence complete.

The Ecuadorian banana industry is huge by any standard, directly employing an estimated 383,000 workers, or 9.6% of the economically active population. But, it is virtually union free. There were strong banana unions until the late 1970's, when they began to decline seriously under a concerted assault on the right to organise waged by the banana industry and its allies in government. This translates into much lower labour costs, which gives Ecuador, the world's largest banana exporter, a distinct advantage in the increasingly competitive world market. In mid 1999, the official price in Ecuador was $3.20 per 40-pound box, while in Costa Rica it was $5.85. In both countries the price fell by the end of 1999, to $2.20 in Ecuador and $5.00 in Costa Rica. But the difference is even greater than meets the eye, because even though Ecuadorian exporters are required by law to pay at least the official price, the large exporters often flout it, paying independent producers as little as $1.00/box in late 1999.

Source: Solidaridad (96)/US LEAP (2000)

Soil erosion and flooding

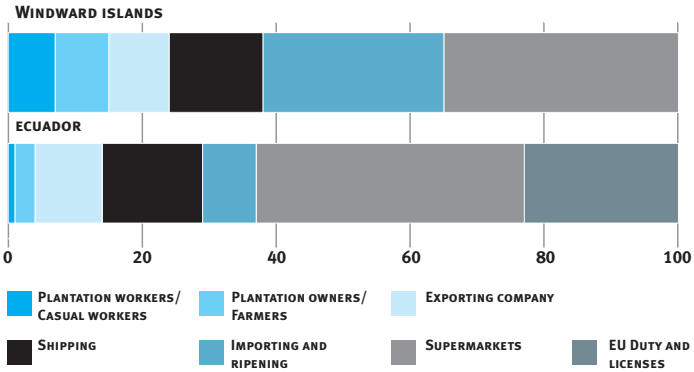
Although not as frequently cited as the other environmental effects of banana expansion, one of the most serious problems created by the banana plantations is flooding. In the Southern Atlantic region of Costa Rica, the indigenous communities have had to change their traditional dwellings from cone-shaped houses to rectangular ones raised on stilts, designed to protect them from the floods induced by deforestation associated with the activity of the United Fruit Company (Chiquita). While the floods can be attributed in part to deforestation, they are also exacerbated by the drainage systems in the plantations: canals throughout the plantations channel rainwater directly into nearby rivers, decreasing the opportunities for absorption by the soil. Flooding problems have increased dramatically in the past decade in the banana producing regions. The scale of the mud slides and the flooding in Honduras and Guatemala in autumn 1998 was certainly significantly increased by deforestation and sedimentation.

Because of all these problems, companies tend to free themselves of direct ownership of plantations, in favour of guaranteed supply contracts with medium- and large-scale producers in the countries where they operate. This trend is not just confined to the banana sector, but allows the Northern-based company headquarters to shift the responsibility for labour and environmental conditions in the plantations onto local shoulders, saying that these conditions are not in their control and that national legislation is in place to ensure minimum standards are respected.

Living and working conditions in the plantations

The colonisation of large tracts of land by banana companies has also had a destructive effect on traditional economic sectors. It has driven people from their land, and out of work. The displaced peasantry is either transformed into plantation workers, and/or an unschooled, underfed, underemployed reserve of cheap rotating labour, desperate to work for meagre sums under appalling conditions.

Comparative cost structure of a Windward Island and an Ecuadorian banana

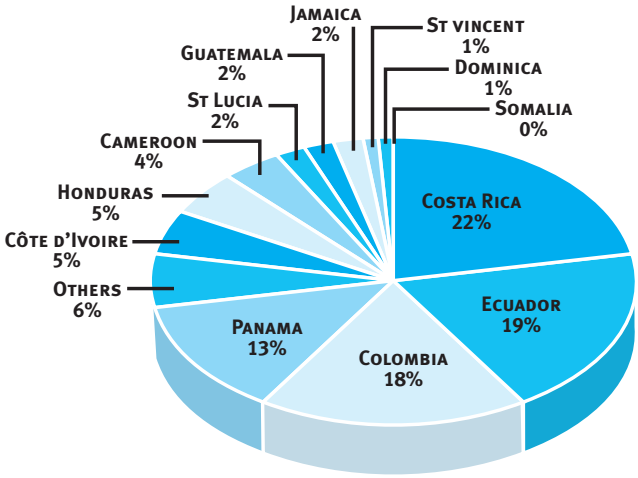


Source: Banana Link

Furthermore, increased competition on the world market lead the "big four" (Chiquita, Dole, Del Monte, and Fyffes), national producer companies such as Noboa in Ecuador and governments in Latin America to slowly eliminating many of the workers social guarantees. These measures include: refusing to sign collective agreements; reducing salaries; increasing the length of the working day; increasing persecution of trade unionists and abandonment of plantations without paying the

redundancy benefit. Unions and NGOs in producing countries have denounced decline in wages: in 1993, an eight hour working day in Costa Rica would earn a monthly wage of US$250 whilst the same amount of work in 1997 was worth $187. Yet, wages in Costa Rica are considered being relatively "high": US $14.87 per day in 1999 to compare with $6.42 only in Ecuador (Banana Link/COLSIBA 1999)

EU Banana Imports 1998

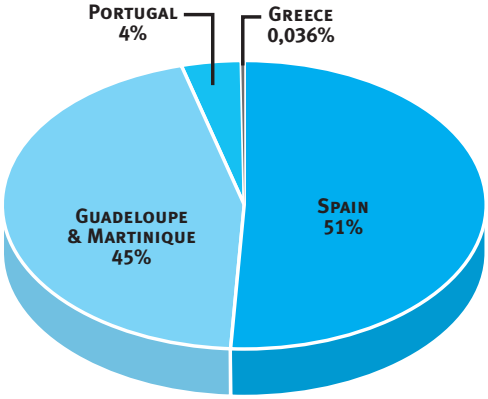


Source: FAO 12/99

The monotonous landscape of the plantations, the long compulsory working hours (up to 12 hours sometimes), the overwhelming use of pesticides, squalid housing and the general low quality of life on the plantations contribute to a psychologically asphyxiating environment which leads to severe depressions. High level of migration, creation of all-male villages, low wages and insecurity of work make things worse by contributing to acute problems of alcoholism, drug addiction, prostitution, delinquency, violence and family disintegration.

The policy of maintaining low wages has also a negative impact on small independent producers. In order to compete, small farmers in Ecuador, Costa Rica and the Caribbean are increasingly obliged to adopt methods similar to those used on the big plantations just to meet quality standards in consumer markets. Figures on the cost and price structure of bananas, although notoriously hard to come by, clearly show that plantation workers and smaller independent producers - such as those in the Windward Islands - get a raw deal.

EU Banana Production 1998



Source: FAO 1999

Anti-union policies

An International Labour Organisation's study of banana plantations in Costa Rica concluded that trade unions organisations are persecuted and repressed". Dismissed for their trade union activities, workers are placed on a black list which circulate among the plantation owners. They will never find work again.

TNCs have also been actively supporting the

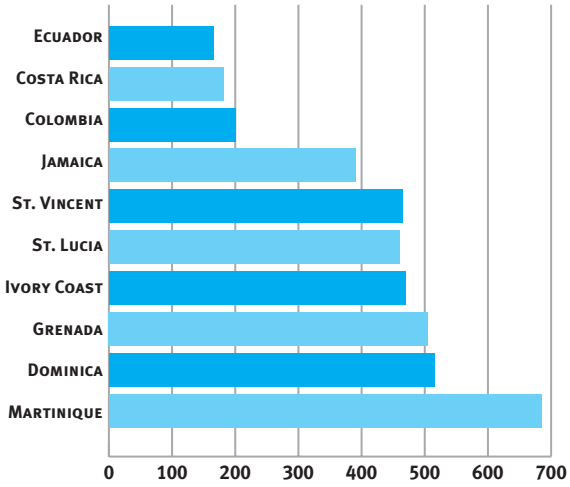
replacement of independent trade unions by a labour movement known as Movimiento Solidarista Costarricense or "Solidarismo". Companies say Solidarismo is intended to foster a better working relationship between workers and employers through more informal discussions. Trade unions, however, see it as a deliberate attempt to eliminate and replace fundamental workers' rights to freedom of association and collective bargaining. Solidarista associations are partly funded by the companies and partly by a percentage arbitrarily imposed on wages. They provide facilities for the workers including credit facilities, social, cultural and sporting events, but do not defend workers' rights and do not recognise their right to collective bargaining. They are spreading rapidly throughout Central and South America.

Import regulations and markets

The European Union is the biggest importer of bananas with some 35% of total exports. This is one reason why its policy concerning the banana trade has had a strong impact on the pattern of production and trade. The EU imports banana from Latin America (63% of total imports), Africa and the Caribbean (17%) and produce about 20% of its needs in Spain, Portugal, Greece and the French Over-sea Territories, Martinique and Guadeloupe. Historically, special ties have developed between certain producing and consuming countries, often within the context of their common colonial history of repression and dependence. This resulted in a diversity of national trade regulations in the individual European states[6], which prevailed until 1993.

Quotas and licenses to avoid an overflowing of the EU market by cheap 'dollar' bananas

Comparison of costs of Production
1997 *(US$/tonne f.o.b.)*



Source: ORCADE 1997

In 1993, with the implementation of the Single European Market, all the national regulations had to be harmonised. Already complicated in itself, this process was exacerbated by three further requirements:

- to install a Common Organisation of the Market in Bananas (COMB) so that European producers – whose production costs are very high - can benefit from the support mechanisms planned by the CAP (Common Agricultural Policy);
- to guarantee that access to this market for their traditional ACP and European suppliers was not hampered by the foreseen influx of cheap Latin American bananas, as stated by the "Banana Protocol" of the Lomé Convention;
- to a lesser extent to support European companies often less competitive than their American counterparts, and to

strengthen their market position with a view to greater opening of the frontiers after a 10 year transitory period.

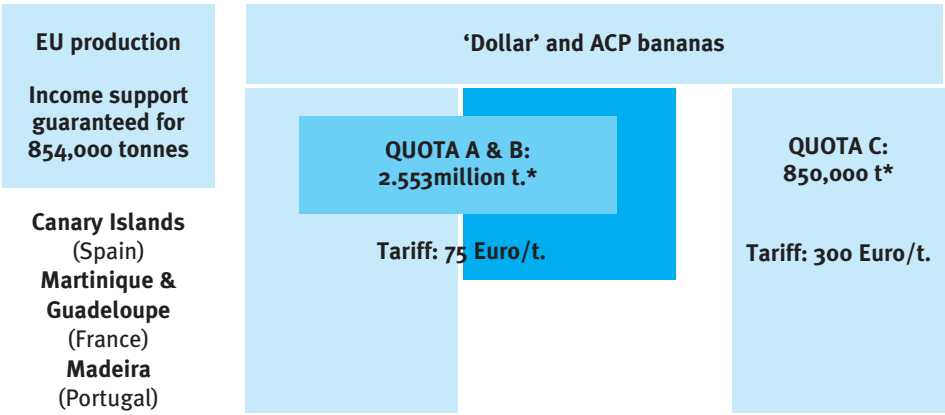
EU regulation 404/93, introduced on 1 July 1993, a complex system of licenses and quotas aimed at maintaining a balance between the three sources of supply and help the European and ACP importers to be competitive on the market. Latin American countries, the so-called 'dollar' group, were allocated a tariff quota of 2.2 million tonnes with a tariff of 75 ECU per tonne for the dollar bananas. This quota was to be increased to 2.553 million tonnes with the accession to the EU of Sweden, Finland and Austria. Traditional ACP countries (such as Cameroon, Côte d'Ivoire, the Windward Islands, etc., i.e. the 12 ACP banana suppliers in the years preceding the single market) were given duty-free access up to a maximum amount of 857,700 tonnes per year, whilst non ACP imports benefited from a tariff difference of 75 Ecus/t. Finally, for EU producers income support for up to 854,000 tonnes is guaranteed, when prices fall below the costs of production.

To make sure that the more expensive European and ACP bananas were still going to be competitive and attractive on the EU market, the EC further implemented a complicated system of 'cross subsidisation', whereby 'dollar' operators were compelled to buy part of their import licences from ACP and EU operators. This enabled the latter to use the licence fee to make up for the difference in production costs.

The international trade dispute

The system has been under attack from the moment it became effective within and outside the European Union. It was the subject of five successive GATT and WTO challenges between 1993

EU Import Regime for Bananas 01/01/01



Licences distribution system: traditional operators: 83%, newcomers: 17%, reference period: 94/96
Outside tariff: ACP, 580, LLDCs (-20%/year), others, 680 Euro/t.

**This volume becomes 750,000 in 2004, whilst A/B volume goes up to 2.653 million t.*

Case study: the Windward Islands

To many people the world over, the Caribbean islands are viewed as an idyllic chain of islands on account of their great natural beauty and warm tropical climate. But this is only one side of the picture. Recently, a combination of world price fluctuations, market instability, constant demands for higher quality standards, Sterling devaluation, and four major hurricanes have conspired to squeeze the most economically fragile farmers out of the banana market. Many farmers have been going out of production, unable to maintain profit margins in the face of falling prices and ever-increasing production costs

It is true to say that there was not enough preparation for the effects of the Single European Market (SEM) and the implementation of the regime 404/93. Even the structure of the industry was ill equipped to deal with the new situation. Developed under the protective umbrella of the UK, based on scattered small-farmer production sometimes on steep slopes, with strong government control over the official Banana Growers Associations (BGAs) in which the farmers have very limited say, the banana industry was in no position to respond positively to rapidly-changing circumstances. As prices fell sharply, so did the debts of the BGAs mount. The governments found themselves scrambling to mount missions to Europe, sometimes led by the Prime Ministers themselves in a desperate bid to save their economies from collapse. To complicate matters, the British firm Geest which had exerted a monopoly over the farmers in the islands for four decades chose the moment when the industry was virtually bankrupt to sell its banana business to one of the foremost opponent of the European regime, the NOBOA company of Ecuador. The islands could not afford to let ownership of the industry fall into the hand of a major rival. They were forced to form a company, WIBDECO (the Windward Islands Banana Development and Export Company) half owned by the Governments and the BGAs. WIBDECO indebted itself heavily to go into a joint venture with the experienced Irish-based group, Fyffes, and together they purchased Geest's banana enterprise for the sum of £147 million sterling.

Farmer confidence in the Windward Islands has recently been further undermined by the successive ruling of the WTO against the EU. The Caribbean Banana Exporters' Association which represents growers in Belize, Jamaica, Surinam, and the Windward Islands said that it will have devastating consequences for their countries' economies. In Brussels, the EU emphasised that if successful, the US strategy "would lead directly to the destruction of the Caribbean banana industry and provoke severe hardship and political instability in a region already struggling against deprivation".

and 1999, and of numerous legal cases - both resolved and unresolved - brought by German governmental and corporate interests before the European Court of Justice. The banana companies also strongly protested because they think that the EU regime is an impediment to their sale expansion. Chiquita, in particular, made it a personal matter, and pushed hard for the Clinton administration to take sanctions. The US government did what it was told and published a rotating list of products – not related to bananas - on which a 100% tariff was now imposed, this as long as the EU refuses to comply. Many small EU enterprises, which have vir-

tually nothing to do with bananas, but export onto the US market were thus subjected to economic sanctions. A few months later, Ecuador was granted permission by the World Trade Organisation (WTO) in turn to impose sanctions - the first time a 'developing' country has done so (ironically, Ecuador could not take advantage of this because they have few imports from the EU and therefore very little bargaining power!)

Yielding under pressure, the EU reached an agreement with the US and Ecuador in April 2001, before announcing a third reform of its import regime for bananas from July 2001. In a first stage, tariff quotas are maintained with the difference that they are now all three opened to all operators and all origins. In 2004, quota C will be reduced to 750,000 tonnes and A & B imports in total increased to 2,653,000 tonnes. A preference of 300 Euro/t applies to ACP fruit in the C quota, whilst all country quotas are removed. In a second stage in 2006, the import regime will be replaced by a single-rate tariff, i.e. an import regime where all quotas and licences are removed and one single tariff is applied to all non-ACP imports.

Impact on market operators

The allocation of dollar quotas to the ACP companies was designed to cross-subsidise the expensive ACP bananas with licence fees for dollar bananas, and thus strengthen the position of the ACP companies in relation to the 'dollar' companies. It first led the 'dollar' companies to invest in ACP countries to allow them to establish rights to future dollar quota allocation within this category. The exports of African countries, for instance, doubled between 1993 and 1997. It also soon resulted in an active trade in dollar licences, due to the insufficient level of quota allocation. The value of the licenses can be as high as $7-8 per box. The total cash value of the licences is calculated to be over 1 billion Euro annually (the so-called quota rent).

The EU regime, however, totally failed to prevent the erosion of the market shares of the most vulnerable ACP countries which it was meant to protect in the first place. Between 1993 and 2000, 15,000 Windward Islands small farmers went out of production, and exports of the four islands in 1999 were only half what they used to be in 1993. In theory, a tariff-quota system and the quota rent generated - if properly used and 'recycled' for development purposes - could be seen as a way of providing the necessary protection to vulnerable ACP farmers. In practice, however, the enormous quota rent goes mainly to middlemen, transnational companies, wholesalers and retailers, and not to the ACP producers. ACP less competitive suppliers continue to lose market shares whilst traditional ACP operators turn increasingly to the more lucrative business of importing bananas produced in Latin American countries.

The allocation of licences based on past performances of the operators also has considerably hampered Fair Trade bananas sales. Under the old system, Fair Trade operators were classified as 'newcomers' on the market. As such, they had only access to first 3.5% - from 1999 8% - of the total amount of licences which represented an average of 50-250 tonnes worth of imports per year. Agrofair, the first importer of Fair Trade bananas, received in 1999 a licence for 15,000 boxes a year. Yet they needed licences for at least 15,000 boxes a week to cover its actual imports. Fair Trade importers were forced to buy licences from their competitors at a high cost to import the quantity they needed. The July 2001 reform, by increasing the proportion of licences given to 'newcomers' to 17%, has improved this situation. Today, Fair Trade operators receive enough licences in their own rights to cover current levels of FT banana

Summary of key problems in banana sector

Ecological cost: *banana plantations for export are virtually the same genetically, thus increasing the risk of pests and diseases and the need for pesticide use.*

Water pollution: *fungicides are sprayed from aeroplanes up to 50 times per year. As the plantations are criss-crossed by drainage channels, chemicals are easily washed into the watercourses.*

Soil contamination and depletion: *high yielding varieties need high level of fertilisers, which rapidly depletes the fertility of the soil. Pesticides also kill many of the soil organisms, which help maintain soil fertility. Once the soil is too contaminated for the healthy growth of bananas, new plantations have to be established. The life span of the average 'large-scale' plantation is about 30 years.*

Deforestation: *in Costa Rica, for example, the rapid expansion of the banana plantations for export (28,000 hectares in 1990 to 52,000 in 98) has mostly been at the expense of primary and secondary rainforest.*

Flooding: *to meet the water needs of the bananas in Costa Rica companies have diverted major rivers and water courses, which have increased dramatically flooding problems in the banana producing regions.*

Coral reefs: *nearly 90% of the coral reefs off Costa Rica's Caribbean shore are dead as a result of pesticide runoff and sedimentation, mainly from banana plantations.*

Pesticide poisonings: *the workers in the field often get sprayed with the plants, their water supplies get contaminated, and their children play in places that are riddled with harmful chemicals.*

Violations of workers' basic rights: *banana companies have sought to weaken and replace independent trade unions with their own company-sponsored unions called "solidarista associations". Plantation workers who join independent unions are often fired, and blacklisted.*

imports. However, they fear that they will not be able to meet any future growth in the demand between now and 2006.

The removal of all country quotas and the distribution of licences to 'primary operators' only (i.e. those who import directly from the producers), two measures which were installed by the latest reform have had particularly negative consequences: by enabling importers to import from all origins without distinction, it favours countries with the cheapest production costs whilst it reinforces the concentration of the market into the hands of fewer multinational companies. As soon as September 2001, importers could be observed shifting their purchases from 'high cost' labour countries where workers are well organised, such as Costa Rica, to countries, like Ecuador, were labour and environmental legislation are not always enforced and wages are much lower. With the opening of the EU market in 2006, this tendency can only accelerate. Banana companies are already investing in countries such as Brazil, Indonesia and the Philippines seeking 'cheaper labour' and deregulation.

The banana trade dispute has become a fight between two economic powers: the European Union and the US government/Chiquita Brands International. It goes, however, far beyond a

Low wages and absence of social rights: *plantation workers only get 1-3% of the final retail price of bananas. Workers do not get paid for overtime and if they cannot do it, for health or family reasons, they often get sacked. Many plantation workers are kept on 90-day contracts; and so have very few rights. They are not entitled to sickness pay, for instance, or holidays. They have to move frequently to find work, and find it difficult to stay with their families.*

The policy of maintaining low wages has also a negative impact on small independent producers. In order to compete, small farmers in Ecuador, Costa Rica and the Caribbean are increasingly obliged to adopt methods similar to those used on the big plantations just to meet quality standards in consumer markets. Figures on the cost and price structure of bananas, although notoriously hard to come by, clearly show that plantation workers and smaller independent producers - such as those in the Windward Islands - get a raw deal.

Migrant workers: *in banana plantations all over the world, an increasing part of the workforce is made up of migrant workers from poorer countries. In Belize, for instance, virtually all workers are migrants from Guatemala, Honduras and El Salvador. Migrant workers often have no official documents, and cannot benefit of any medical or social facilities.*

Finally, the monotonous landscape of the plantations, the long compulsory working hours (up to 12 hours sometimes), the overwhelming use of pesticides, squalid housing and the general low quality of life on the plantations contribute to a psychologically asphyxiating environment which leads to severe depressions. High level of migration, creation of all-male villages, low wages and insecurity of work make things worse by contributing to acute problems of alcoholism, drug addiction, prostitution, delinquency, violence and family disintegration.

simple opposition of ideologies, i.e. free trade vs. protectionism. Come the end of 2005, the Caribbean faces the abyss. Issues like the livelihoods of the small vulnerable banana farmers, and sometimes the entire national economies of small British former colonies and French departments, like Jamaica, the Windward Islands, Martinique and Guadeloupe are at stake. These small farmers cannot and will never compete with 3,000-hectare plantations elsewhere. 70% of St Vincent's population, for instance, make their living directly or indirectly from the banana trade; in St Lucia, it is one person out of three. 30-60% of the Windward Islands' export earnings comes from bananas. Squeezing their shares of the European market inevitably will condemn thousands of people to poverty and hardship.

Fair Trade in bananas

Fair Trade can help secure market access for the most vulnerable farmers. The concept of Fair Trade bananas is not new: as early as the 1970s, women groups in Switzerland (the Frauenfelder/Bananenfrauen) raised awareness and denounced the social injustices surrounding the banana production for exports. Also in the 1970s, Gebana introduced the first

Dependency of the Windward Islands

Windward Islands' dependency	St Lucia	Dominica	St Vincent and the Grenadines	Grenada
Real GDP 1997	3.2	16.8	1.8	
Banana output as % of agriculture GDP 95	33	22.8	26	
Banana employment as % of employed labour force 95	30	36	35	
Banana employment as a % of employed agriculture labour force 97	22.9	60		17*
Banana exports as a % of merchandise exports 1997	45.130	29.8		

Source: WINFA 1999
**1993 figure*

'Solidarity bananas' from Nicaragua in the Swiss World Shops, soon followed by Germany and Belgium. Today, Fair Trade marketing initiatives exist in Austria, Belgium, Denmark, France, Germany, Luxembourg, Netherlands, United Kingdom, Switzerland and Ireland. They seek to change unfair international trading structures and improve the social, environmental and economic conditions of disadvantaged producers by giving banana producers and workers direct access to a market, guaranteeing better trading and working conditions and thus providing them with the tools that permit them to control their own development, and to invest in environmentally friendly production methods.

Since the first launch in the supermarkets in the Netherlands in 1996, Fair Trade banana sales have been multiplied by 5 and Fair Trade bananas are now available in Denmark, Sweden, Finland, Norway, Ireland, Belgium, Luxembourg, Britain, Switzerland, Italy and France. Launches are also expected next year in Canada, Austria and (maybe) Japan. Fair Trade bananas come from 12 producer groups in Ecuador, Colombia, Costa Rica, Ghana, the Dominican Republic and the Windward Islands, representing some 6,500 disadvantaged farmers or workers and their families. Dried Fair Trade bananas and Fair Trade banana chips are also sold in the World Shops throughout Europe.

The primary aim is to provide market access to disadvantaged farmers and workers. But, producers also receive a fairer guaranted price, which enables them to survive in the market place, to provide for the basic needs of their families (between US$7.25 to US$11.50 f.o.b. per box of 40lb depending on the country of origin). A price premium of US$1.75 per box of 40lb is paid to producer groups on top of the Fair Trade price to be invested in social and environmental improvement programmes. Producers also benefit from swift payment (net cash against documents), and a long-term and stable trading relationship).

All potential 'Fair Trade' sources have to meet minimum social and environmental criteria before being accepted for the Fair Trade Marking certifying procedures. In collaboration with

producer organisations, and banana trade unions, EUROBAN and FLO have developed a core package of minimum labour and environmental standards concerning sustainable banana production. The following labour standard issues are relevant: rights to freedom of association and collective bargaining; anti-discrimination & equal remuneration; no forced labour and child labour; a set of minimum social and labour conditions of plantation workers; and the rights to safety and healthy working conditions. The following environmental standard issues have been found relevant: biodiversity (protection of natural areas), pesticides and nutrients (documentation, control and reduction), erosion/water pollution (coherent policy and practice of prevention), and waste (control, reduction and composting).

The future for Fair Trade bananas

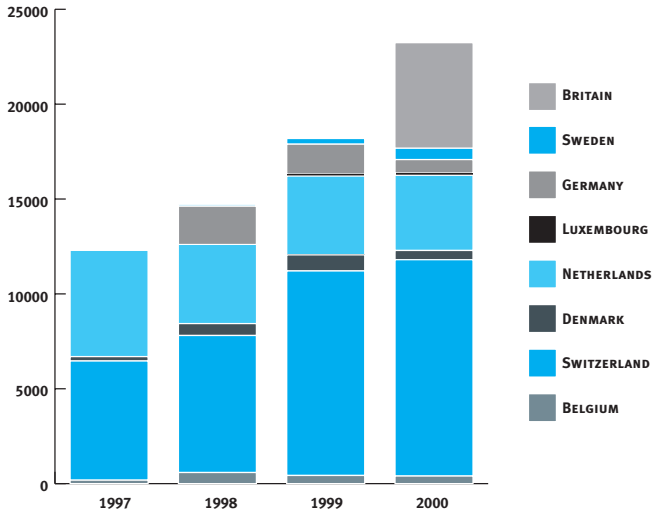
The market signs for Fair Trade bananas are promising. Sales have been increasing steadily since 1997 and 'new' countries launches every year. The rapidly increasing market share of Fair Trade bananas in Switzerland (where only the fierce opposition of the multinational Del Monte and Chiquita is preventing the Fair Trade market share to rise further) and Britain –with 13,000 tonnes sold in 2001, Britain has become the first country in terms of volumes sold - shows the potential for Fair Trade when high consumer awareness has been achieved.

The advantages of Fair Trade for producers are three folds:

1. A stable income. This is as important as it enables organisations and farmers to plan and to invest in social and environmental improvements. In Ecuador, for instance, the Fair Trade price and premium were used for:

- Business development: El Guabo bought a radio communication system so that the three associations it covers, with over 100 packing plants, can stay in contact especially during harvesting days.
- Social development: farmers are now paid a price higher than the current market price, according to a decision taken democratically by a committee. In turn, they are expected to pay above average wages to their workers.
- Environmental development: farmers have installed clean water systems, filters for waste water, and have stopped using herbicides. El Guabo is also experimenting with biological treat-

Total sales of Fair Trade bananas 1996-2000



Source FLO 2000 – internal statistics

ments, for example for crown rot.
The price differences can be large. In Ecuador in summer 2000, the market price was $1.00 while Fair Trade farmers were getting over $3.00.

The high, stable price above all else enables small farmers to stay in the market and their organisations to survive. This will be the case in the Windward Islands, for instance, where the Fair Trade certified producers will be the ones who would have gone out of production otherwise.

2. Through participating in Fair Trade, farmers gain organisational experience of trade, from quality controls to supermarket demands and gain the confidence that they can trade independently of the major companies.

3. Fair Trade also makes a difference for plantation workers by requiring the management of plantations to apply FLO's criteria on labour conditions or by putting pressure on the conventional market operators to improve their social and environmental performances in production and trade. Since the first Fair Trade banana launch in Holland in 1996, all banana multinationals have either sought environmental certification or come up with social and/or environmental programmes aimed at raising their profile with European consumers. Chiquita adopted in Costa Rica the so-called ECO-OK programme (that later became the Better Banana Project) – an initiative monitored by a US NGO Rainforest Alliance - through which it hopes to establish itself as the environmental leader of the banana companies. Dole is actively implementing Integrated Pest Management systems on its plantations of Latin America (according to ISO standard series 9 and 14000), whilst Del Monte has started to sell via Coop Italy a range of "banana con amore" which, it claims, comply with CEPAA social standards SA 8000 (cf. Chapter 3). Finally, Fyffes issued its own code of good practices and British supermarkets are working together inside the Ethical Trading Initiative to work out a code of conduct for the banana sector which would be certified by independent accreditation bodies.

This is undoubtedly the sign that the market is changing: increased market competition makes the banana companies much more sensitive and vulnerable with respect to consumer opinions and one of their strategies is to regain market shares by widely advertising with European consumers the adoption of their social and environmental codes. Trade unions in Latin America, however, denounced the very little social and environmental improvements that these programmes and codes have brought so far in their regions, questioning thereby the genuine desire from he multinationals to really change the terms of production and trade in bananas. Therefore, in the future to avoid that corporate codes of conduct and other private initiative remain a mere statement of abstract principles, EUROBAN requests the companies at least:

- to acknowledge first of all the basic workers' rights regarding freedom of association and collective bargaining and to embark on a process of re-negotiation of their codes and other criteria with trade unions and NGOs who are the first concerned with their application;
- to develop independent monitoring and to adopt reliable social and environmental verification procedures.
- to address the problem of the increased participation of producers and trade unions in such programmes. Trade union members and producers are expected to take part to companies'

initiatives regardless whether they have the resources and the time to do so. Thus, they find themselves trapped in situations whereby they either cannot take part to meetings and are accused of obstructing progress, or have to neglect some of their traditional duties for programmes that, at the end of the day, essentially benefit companies and consumer organisations in industrialised countries.

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9 Rice

Who reaps the benefits from the sowing?

Elisabeth Piras

Rice, the nourishing father of mankind

Rice, "the one who supports mankind" as its name in Sanskrit goes, is still the main staple food for humans. It provides more than half of the world's population with the essential part of their daily calories (up to 80% in Asia).

Rice production, however, comes first only occasionally in the world grain production statistics. Its production is usually somewhat lower than that of wheat[1]. Because contrary to wheat, rice is not used as fodder.
Rice occupies 11% of the world arable land. 90% of the global rice field surface area is located in Asia, which supplies 92% of the production. Africa, the American continent, and some southern and south-eastern European countries - among which 5 members of the European Union (Italy, Spain, Portugal, France, Greece) - share the remaining 8%.
In Asia, most of the harvests are consumed by the rice farmers' families, while the largest part of the American production and a large part of the European are intended for export. Globally, about 50 % of the production is marketed, mainly within the producing countries, or among Asian countries. Only 4 to 5% is marketed on the world market (for wheat and maize, the traded volumes amount to 20% and 18 %).
In the context of the globalisation of the Western urban way of life, which is favouring new food habits - among other things, or even mainly, the consumption of meat - rice seems to be losing its primacy. But this won't prevent it from going on playing an essential role for mankind for a long time.

Let us shake off the myth of hunger

Since the 60s, the global rice production has considerably increased. A lot of countries whose rice productions were low before have become self-sufficient, and have even at times exported their supplies.
But in many of regions where rice is grown, even where there is surplus, people still do not have enough to eat. For a long time, the causes of hunger have been ascribed to population explosion and to inadequate food production. Today, most experts agree that the demographic bomb has been defused[2] and that mankind has never had so much food per person than at the beginning of this third millennium. People get hungry because they are poor, because they cannot buy any food, because they don't have access to land and seeds, or because they are forced to sell their crops.[3] Hunger has been born out of injustice and social inequalities. But it is also a formidable political weapon. So, what is urgently needed is a fairer distribution of resources ; food sovereignty - or the populations' right to eat - must be asserted, and an agriculture enabling farmers to secure their food security - or in other words to first produce a sufficient quantity and quality of food to cover their own needs - must be promoted ...

Lining the pockets of the agribusiness giants ...

No increase in production will ever eradicate hunger. But the IRRI (the International Rice Research Institute) - a fiery promoter of the Green Revolution and supporter of the high-yield

[1] *FAO figures for 1998 and 2000 (in millions of tons): 598 of wheat for 583 of paddy rice in 1998, and 595 of paddy for 585 of wheat in 2000.*

[2] *The growth rate of the world population is falling as fast as it had risen over the last few decades. According to the FAO, the "substitution rate" should be reached in 2025. That year the population should stabilise around 8.9 billion of people.*

[3] *See the research of Amartya Sen, Nobel Prize of Economy in 1998 and the book of FM. Lappé and Al.: World Hunger. Twelve myths, Food First, Grove Press, 1998.*

hybrid seeds - goes on spreading the myths about world hunger to praise the benefits of genetic engineering alongside the big transnational companies of the agrochemical industry, the "Gene Giants".[4]

The social and environmental damage of the Green Revolution, based on a huge use of chemical inputs and on costly technological investments (notably for sophisticated irrigation systems) is now obvious. Poverty has globally increased, and the living conditions of countless small producers continue to deteriorate. The polluted and eutrophated rice fields are now unfit for the breeding of fish, the essential traditional food complement for rice farmers. Due to excessive irrigation, ground waters are drying up, and soils are impoverishing. The yield of the hybrid varieties is stagnating, and some diseases and various pests have devastated the crops in several regions. Even the IRRI eventually repented openly, and is now turning, still in the name of a productivist agriculture, towards a second - allegedly cleaner - Green Revolution, which needs fewer chemical inputs thanks to brand new transgenic varieties. But the technology is once again far too expensive for small farmers, all the more so since they are strictly not allowed to re-use the seeds and are contractually obliged to buy new ones for the next season.

... or filling the farmers' plates ?

On the other hand, a lot of organisations, such as the international farmer's movement Via Campesina, support small-scale farming, meant for the populations concerned, and have put forward decentralisation and diversity as an alternative to the standardisation of modern agriculture. They thus mean to promote the value of traditional local varieties and to (re)introduce eco-friendly farming methods that increase soil fertility. Farmers adopting these methods are often as productive, or even more productive, than farmers using the agribusiness rice varieties, while their costs are considerably reduced.[5] At the same time, these organisations rally to fight against the introduction of new varieties of transgenic rice, some of which are presented as miraculous "pharmafoods"[6]. While their sustainable agriculture, based on access to land, mixed farming and a large variety of crops can produce an efficient and cheap cure for malnutrition and the deficiencies it generates, it also provides a healthy and varied diet.[7]

Rice is more than a food crop

The importance of rice - its name comes from the Tamil word "arisi" - isn't limited to its nutri-

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[4] *See the investigations of Monsanto by Isabelle Delforge: Nourrir le monde ou l' agrobusiness, co-published by MdM-OXFAM and Oxfam-Solidarité/Belgium, Orcades/France and the Declaration of Bern/Switzerland, May 2000.*

[5] *A recent study published by the Institute for Food and Development Policy shows that small farms, in the South as well as in developed countries, are actually more productive, more effective and more "ecological" than large farms (P. Rosset: "The Multiple Functions and Benefits of Small Farm Agriculture in the Context of Global Trade Negotiations", Food First/The Institute for Food and Development Policy, Oakland, September 1999).*

[6] *These "pharmafoods" are varieties of transgenic rice producing beta carotene which our organism transforms in vitamin A ; their "inventors" wish to help thus the 140 to 250 million of children subject, according to the WHO, to vitamin A deficiencies and threatened to become blind. "Anti-genic" campaigns are in hand in several southeast Asian countries; see the document of Oxfam UK too: Genetically Modified Crops, World Trade and Food Security (Position Paper, November 1999).*

[7] *The above-mentioned publication by Isabelle Delforge is full of testimonies, experiences and teachings of farmers and farmers' organisations in Asia that reject any subjection to the agrochemical businesses.*

tional value. Its cultural dimension is reflected in languages. In several Asian countries, “to eat” is always the same as “to eat rice”. In Thailand, when two people meet, the common polite phrase does not inquire about the other person’s health, but about their consumption of rice : “Have you already eaten rice today ?” And vernacular languages have got a wide range of words to specify or qualify the different varieties of rice and the stages of its processing. They also refer to the grain to measure time and space. As a life seed, a gift from heaven, and even a crop of divine origin, rice has also given birth during its age-old epic to a whole sacred culture, generating numerous rites and ceremonies. Overcome by the logic of competition and market requirements, it has recently seemed endangered. But here and there, it is surviving, sometimes even reviving, as a symbol of identity, strengthening social ties, and asserting people’s resistance.

Rice is a highly adaptable traveller

Rice is an aquatic herb (“oryza sativa” for the botanists) and one of the oldest cereals grown by man. Archaeologists have recently discovered remains of it in the mountains of northern Thailand that would date from 10,000 years BC. What seems sure is that it was already being grown in the South of China and in India in the 5th millennium BC.
Rice migrated easily, and adapted to almost any kind of climate, withstanding the heat and the cold, growing in the dry or in water, at high altitude or in the deltas of big rivers. It gradually spread not only throughout the whole Asian continent, but also into Africa. Later, in the wake of Alexander the Great’s expedition to India, it reached the Mediterranean basin through the Near East. Centuries went by and rice eventually crossed the Atlantic Ocean with the conquerors of the New World, and settled in the north of the continent as well as in the south.

Diversity prevails

While a universal crop, rice varies greatly in appearance as well as in its farming : its varieties, habitats, cultivation methods, and marketed categories are numerous.
As it is originally aquatic, rice needs a lot of water to thrive.
In the past, farmers mainly practised pluvial farming, which was dependent on unpredictable rainfalls. In many regions, rainwater is stored in natural or artificial ponds, as reserves in thee event of dry weather. But this way of rice growing allows only one harvest a year, and the yield is relatively low. Today, pluvial farming accounts for 13% of the global rice field surface area, and is mainly used in Africa (42% of the rice growing areas) and in South America (60%).
A second rice growing method, submerged cultivation, is practised in the alluvial plains and the deltas. In the course of the centuries, farmers have invented and developed subtle irrigation systems suited to their environment. This cultivation still occupies 32% of the rice field surface area, mainly in south and southeast Asia.
Nowadays, under the effect of the Green Revolution, more than half of the global rice field surface area (of which 60% in Asia) is irrigated artificially. The total control of water, achieved through modern irrigation systems, has enabled to practice intensive cultivation that has ensured high yields for a while. However, with the passing years, these systems have deeply affected the environment, sometimes irreparably (see above), and, as state-of-the-art and

highly water-consuming[8] technologies, they are very expensive. It is therefore not surprising that only rich landowners can bear the costs of such systems in the South, and that the European and American rice come exclusively from irrigated cultivation.

Rice presents an exceptional biodiversity. The Veda - the sacred Hindu writings - cite more than 500,000 varieties. Today, statistics generally talk about 100,000.[9] In its seeds bank, the IRRI stores no less than 86,000 varieties collected in 113 countries. But the Green Revolution has imposed some high-yielding hybrid varieties, and is threatening the rich diversity of rice. In Thailand and Burma, for example, 5 varieties occupy 40 % of the rice growing surface areas. In Cambodia, only one type of hybrid rice has accounted for 84 % of the yields in dry season.[10] But this uniformity is highly risky : if some pest or disease spreads, all the crops can be jeopardised and even ruined.[11]

This uniformity is further reinforced by the world market. Transactions are mainly limited to three types of rice : the Indica rice with long sharp grains, the Japonica rice with short round grains, and various flavoured rice[12] varieties, such as the Basmati from Pakistan and India and the Jasmine from Thailand, that are the most successful varieties in the world market at the moment. In our part of the world, some varieties such as black, red or glutinous rice, remain unknown.

But when it comes to marketing the grain, there are a lot of different categories : from the luxury product to broken rice that is used either in the food industry or, more rarely, as livestock feed, or again as foodstuff for the poor. According to the stage of processing, the distinction is made between "paddy" rice (not husked), brown rice (cleared from its inedible chaff) and white rice (whitened, sometimes even polished, containing 80 % starch and lacking most of its nutritional value).

Rice farmers from buffaloes to helicopters

Rice farmers fall into two main groups.

In the South, the (often terraced) rice fields are mostly cultivated by small farmers. Thousands of families grow rice exclusively for their own use. They may plan to earn a bit of money by selling the surplus, but are often forced to sell their whole yield through their need for cash. All family members are involved in the production process. Some tasks, like the setting of the young plants, are done by hand ; others, like the tillage, are done with the help of draft animals. Even in the big fields belonging to rich landowners, the work is done by hand by cheap seasonal labour, (consisting of landless people and small-scale farmers), and also uses animals.

In total contrast, rice production in the USA is highly mechanised. In the large fields belong-

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[8] *So much as 5,000 litres of water are needed to produce one kilo irrigated rice!*

[9] *For India, a document of Navdanya cites even more than 200,000 local varieties! (Source: Omkar Krishna & Anjali Ghosal, Rice, 1995).*

[10] *Source: Grain, 'Genetech preys on the paddy field', in Seedling, June 1998.*

[11] *See "Monopolies Mean Epidemics", in Biopiracy, TRIPS and the Patenting of Asia's Rice Bowl, A collective NGO situationer on IPRs on rice, May 1998 (Biothai, Grain, Masipag, PAN, and alii).*

[12] *They are rice varieties that are naturally aromatic thanks to the soil qualities of a certain region as well as to the selecting efforts of rice growers; but there are also artificially flavoured rice on the market today.*

ing to farmers or food corporations, the work is done using ultra-modern machines, electronic instruments and helicopters.
In Europe, the work is generally mechanised but, in some places, intensive manual labour is still common. However, the American model is gaining ground rapidly under pressure from productivity and competition. On both sides of the Atlantic, rice farmers can claim compensation payments. In America the "deficiency payment" and in the European Union the "intervention price" assure farmers a guaranteed income as well as access to the national and international markets.
As they favour cheap exports, the dumping practices short-circuit the Southern rice farmers in their own domestic markets as in the world market.

The international rice market : narrow and unsettled

The international rice market is a particular case. It is a narrow surplus market, determined by the geographical concentration of production and by a relatively limited number of traders.
The rice market, however, is not only narrow, but it is also especially unsettled, for several reasons :

- In spite of attempts over the past 30 years, there still is no forward market.
- In contrast to other commodities, there is no uniform world price for rice. Furthermore, prices vary according to quantities and qualities of rice available.
- Supply is subject to the incalculable climatic variations.
- Supply and demand of several major producing countries are totally unpredictable. Over the years, they can be exporters, importers or both.

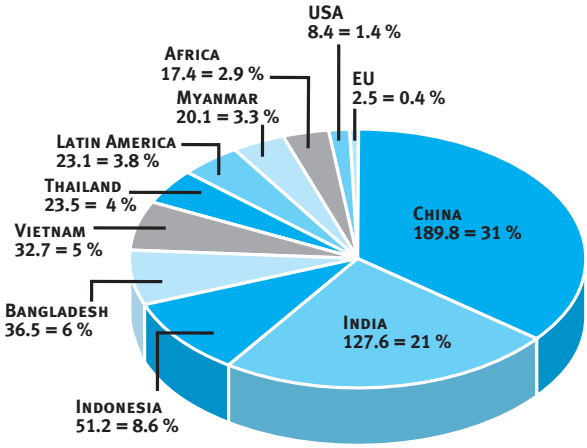
A few constant trends are nonetheless noticeable. The leading exporting countries are not, for instance, the leading producing countries. With 24% of world exports, Thailand (5% of world production) has been the highest exporter for a many years (20 in all), despite competition from other

Global Rice Production 2000/2001
(in million tonnes)

2000 (Estimated)
Paddy: 595 **Processed rice: 416**

(Brown rice = ca. 80% of the weight of paddy rice; white rice = 60 - 70%)

Main producing countries
(in million tonnes)



Rice / Wheat
Global Production 1998 – 2000
(in million tonnes)

	Rice	Wheat
1998	583	598
1999	611	591
2000 (est.)	595	585

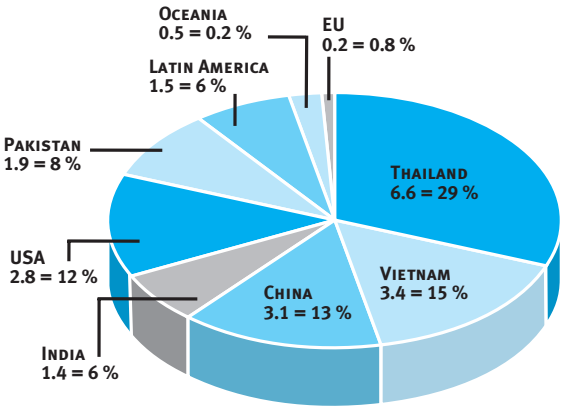
Source: FAO (2001)

RICE Exports 2000/2001
(in Million tonnes)

2000 (estimated)

Total: 22.6

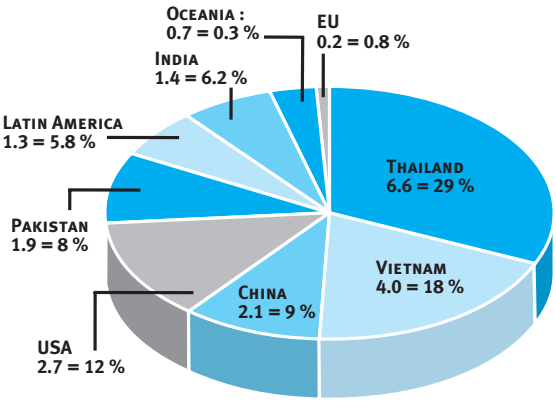
= 3.8 % of global paddy rice production (milled: ca. 5.4 %)
The first 4 exporting countries account for ca. 69 % of total exports.



2001 (forecast)

Total: 22.3

= 3.7% of global paddy rice production (milled = ca. 5.7%)
The first 4 exporting countries account for 68% of exports.



Source: FAO (2001)

Asian countries such as Vietnam and, more recently, India and China. To counteract its competitors, Thailand has been forced to stick to its subsidy policy. About a quarter of its exports (which accounted, in 1996, for nearly a quarter of its production) had to be subsidised in 1997.

The United States (1.6 % of the world production) had long held second position. But despite granting large export subsidies for 50 to 70% of the annual yields, they have nonetheless lost ground. In 1998, they had fallen to 5th place, but by 1999 had regained ground, coming in at 4th. The last two years have seen further recovery in their position as producers in the world market.

As far as imports are concerned, there are other factors.

The Middle-East and, to a lesser extent, all of Asia traditionally imported more than half of the global volume of trade. For some time now, Africa (notably Sub-Saharan Africa) has been emerging as the first – but essentially of poor quality - rice importer of the planet (accounting for 25% of world trade).

The European Union is a also rice growing region

12 southern and south-eastern European countries, as well as some regions of the former USSR, produce rice. Among them, five countries of the European Union: in 1999, Italy (Piedmont) accounted for 53% of EU production (2.7 million tonnes of paddy rice), Spain (Andalusia, Murcia), 31%, France (Camargue), 4%, Portugal, 6%, and Greece, just over 6%.[13] French Guyana, the only rice-producing EU overseas territory, produced some 30,000 to 40,000 tonnes of rice.[14]

[13] *Supplying report campaign 1999/2000 (provisional assessment of the European Commission GD Agriculture)*

[14] *from Rose-Marie Di Donato.*

In 1998/1999, production in these countries covered up to 77% of the EU's needs.[15] The production of Japonica rice, better suited to the European climatic conditions and soils than Indica rice, accounts for more than two-thirds of EU production and also generates surpluses. On the other hand, production of Indica rice, favoured by consumers - especially in Northern EU countries - remains insufficient despite an increase in cultivated areas.
The surplus of Japonica is exported, particularly by Italy, which accounts for 85% of Japonica exports from the EU. Additionally, Italy accounts for 80% of the total European rice export market. Imports of Indica rice account for 90% of imports within the EU; largely, this is brown or husked rice which is milled by EU milling companies. This is imported mainly from the United States, but also from ACP countries and the Dutch Antilles (where it is processed, as opposed to grown), Thailand, India and Pakistan[16]. These last two countries mainly supply flavoured rice, which has been gaining ground for some time now, with imports increasing by 15% each year.

The European market: hurdles and obstacles

The cultivation of rice could expand in different European regions without major difficulty. Rice imports, however, have to overcome numerous tariff and non-tariff barriers (obligation to obtain an import licence, financial guarantees, etc...), according to the country of origin and the quality of the commodity.[17] Despite the market liberalisation imposed by WTO (World Trade Organisation) rules, EU production remains very well protected, and will remain so for some time. [18]
The EU aims not only to support its domestic production by means of intervention prices[19],but also to protect the European processing industries. On the one hand, the import of Paddy rice is favoured, and on the other, duties on white rice are much higher than on wholegrain rice. In 1995, for instance, the duty amounted to 330 euro per tonne of Paddy rice and to 650 euro per tonne of processed rice. Customs duties fluctuate for some rice categories (cargo rice and processed or semi-processed rice for example); these duties are set every fortnight on the basis of a rice import reference price in the North European harbours.[20]
The fact remains that the rice market is subject to countless and very complex exemptions that make it difficult to understand. ACP countries have enjoyed preferential tariffs until 2000; the duty they pay on the exports of Paddy rice amounts to 76,44 euro per tonne while the normal duty amounts to ¤ 230.80 per tonne. But this reduced duty only applies within the restrict-

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15 *USDA, January 2000*

16 *RONGEAD, Rose-Marie Di Donato, La politique tarifaire de l' UE en matière de riz: De vieilles recettes qui ne se démodent pas, June 2000.*

17 *See also the studies by Jakob Sutmuller: Handelsbarrières in de Europese Rjistmarkt (1998) and by David Renkema (in FTO-Handelskrant, April 1999).*

18 *Lately, the Everything but Arms initiative, launched by the EC Commissioner for Trade, is set to phase in zero tariffs for rice entering the EU from LDCs. It seems that in the case of rice however, the only significant beneficiary of the agreement is likely to be Cambodia, as other LDCs exporting to the EU already benefit from tariff exemptions. Moreover, the agreement will not be fully implemented until a further eight years from the time of writing (quoted by Dominic Deagleton, OXFAM GB, The International Rice Market: A background Study, 2001).*

19 *The European Commission guarantees a stable price to rice growers, which covers the production costs. If this price gets lower than the agreed level, the EC intervenes and pays the "intervention price", which is a sort of compensatory payment.*

20 *RONGEAD, Rose-Marie Di Donato: La politique tarifaire de l' UE en matière de riz: De vieilles recettes qui ne se démodent pas, June 2000.*

ed framework of a set quantity (125,000 tonnes in total for Paddy, cargo and processed rice) and in instances where an export duty is collected by the exporting country. Some countries therefore export their rice to the EU via the Dutch Antilles (where there are many processing facilities) to benefit from the customs duties exemption granted to that European overseas region, and to bypass the obligation to impose an export duty on rice farmers stipulated in the Lomé Convention. Since the joining of three new members (Austria, Sweden, Finland), the EU has also recently authorised the duty-free import of 63,000 extra tonnes of whitened rice from third countries, as well as quantities of husked rice with reduced duties. These imports come from the former rice suppliers of the new members : the United States, Thailand and Australia. It is estimated that nearly 60% of EU imports enter without paying any customs duty (essentially from the United States, the Antilles and the ACP countries).
Today, the organisation of the Community rice market is on its way to conforming to the WTO tariffs on imports and export aids. But the "minimum access clause" that forces industrialised countries to open their market to imports from third countries - 3% of their domestic consumption at first, then 5% by 2000[19] - has had no impact on the EU, as the EU is already importing more than 10% of its consumption (which accounts for 3% of the global imports).[21]

The players in the rice market

Before 1989, more than half of transactions had been carried out by governments. For a long time, rice has been almost exclusively traded by the states themselves, or by a few - mainly Chinese - families of private exporters. Today, 70% of Thai exports, for instance, are still controlled by 10 traders, most of them members of rich and powerful families.
In the world market, transnational companies (TNCs) have come into the foreground. At the beginning of the 90s, they accounted for nearly 40% of world trade. The first four companies at that time were the American and Anglo-Saxon companies Continental, Glencore and Cargill, and the French group Riz et Denrées. Since then, TNCs haven't stopped strengthening their influence. Their position in the world market is very strong, because they are also the main suppliers of agricultural inputs in several countries.[22] However, when there is a crisis (short crops or, on the contrary, excessive overproduction resulting in a price fall), most states take over the reins of rice trade (again), or even re-establish the trade monopoly on such an important basic foodstuff.
Owing to the market instability, deals must be made very quickly, and transactions are particularly expensive. In order to bring these deals to a good conclusion, traders turn to specialised agencies that operate in the main centres of the world market in the United States, Europe (England, France and Belgium), Singapore and Hong Kong.

The WTO-ruled new global order : who benefits from it?

According to the eulogists of the WTO, liberalising markets will allow to improve living conditions everywhere in the world. But the WTO is actually instituting legal mechanisms mainly

[21] *For Japan (and Korea), this clause sets obligatory imports of 4 % at first, 8% in 2000; for the other industrialised countries this quota amounts to 3 % at first, 5 % in 2000.*

[22] *Sources: CIRAD, Hélène Benz, Quel rôle des compagnies de négoce international dans le marché du riz?, 1993, and Patricio Mendez Villar, Le marché international du riz. Les principaux opérateurs, 1995, as well as RONGEAD, Rose-Marie Di Donato, Le commerce international du riz: Tendances actuelles et conséquences prévisibles des Accords de l' OMC, 1998.*

serving the interests of the great industrial powers. Thanks to these mechanisms, they can protect their own agribusiness productions and market them to the detriment of not only small farmers in the South, but also in the North.
An American law - the Public Law 480 - for instance, authorises and subsidises American grain exports under cover of food aid, so that the other WTO member states cannot pull them up. Japan has also its own view on the issue. At first, the country complied on its own terms with the "minimum access clause"[23], while hastening to export large quantities of rice again in the form of food aid. In other words, it met its obligations, but without really opening up its market. But Japan went further : during the winter of 1998/99, it arrogantly ignored the imposed imports, and fixed excessively high import duties (up to 1000%).[24] Contrary to all expectations, and despite major upheaval in some influential circles, the USA eventually gave up with Japan in March 1999, and denounced it to the WTO. In August 1999, the EU followed suit, and declared that it was ready to withdraw its complaint. Who would be surprised? Japan is one of the major industrial powers, and the country knows how to take advantage of its position.
Numerous farmers' organisations and NGOs from the South and the North are now revolting against the WTO ultra-neoliberal policies that not only threaten the food security of poor countries, but also deny them the right to food sovereignty, that is the people's right to produce their own food, and the right of the countries to enjoy food autonomy, as a guarantee of their economic and political independence.

Life patenting : beware of the thieves!

Among the controversial mechanisms of the WTO, farmers' organisations and NGO's very often target life patenting. In most cases, such patents allow private companies to lay claim to organisms that exist in nature.
What is this all about ?
Life patenting stems from the TRIPS (agreement on the Trade-Related aspects of Intellectual Property rights). This Agreement obliges member countries to institute intellectual property rights on "invented" plant varieties. That means that any "new" plant can be patented, as long as it can be proved that it results from a genuine genetic modification. But the genes used for such "inventions" are nearly exclusively the fruit of research and age-old selection carried out by Southern farmers, and are part of humanity's common heritage. Instead of "invention", it would be more appropriate indeed to call that "theft", or biopiracy.
In its article 27. 3 (b), TRIPS makes potential provision for the protection of plants and animals by allowing member countries concerned with the issue to adopt a system "sui generis". But the great industrial powers are putting pressure to have this clause suppressed, or at least modified in such a way that the farmers' traditional rights would neither be guaranteed nor enforceable.
Life patenting actually entitles holders of patents - most of the time large private companies, and fiery promoters of genetic engineering - to enjoy full profits and unconditional ownership of the patent for a period of 20 years. Needless to say that it is a very lucrative business...

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[23] *For Japan (and Korea), this clause sets obligatory imports of 4 % at first, 8% in 2000; for the other industrialised countries this quota amounts to 3 % at first, 5 % in 2000.*

[24] *Sources: Cyclope, Marchés mondiaux, 1999, and BRIDGES Weekly Trade News Digest, 1999, Nr. 12 and Nr. 34.*

"The Basmati case"

The IRRI, benefactor of mankind or profiteers' accomplice?

On the American continent, the first grains of rice were sown by European settlers. But North-American rice growing only truly took off in the 1970s, following the introduction of a hybrid variety developed by the IRRI. Since then, according to a study carried out by the Washington-based IFPRI institute, American rice farmers would have pocketed more than one million dollars with this rice variety. During the same period, American NGOs donated $ 63 million to the IRRI. The IRRI is also at the root of one of the most denounced cases of "biopiracy": the case of the Basmati "made in USA".

Abduction of the "Queen of Flavours"

The International Rice Research Institute (IRRI) was set up in the 1960s, with funds from the development cooperation budgets of some 30 states.

One of IRRI's main missions is to ensure the protection of the biodiversity of rice, by storing the genetic material of some 86,000 varieties in a seeds bank at IRRI's head office in Los Baños, in the Philippines. But for "security reasons", a second seeds bank was set up in Fort Collins, in the State of Colorado, and entrusted to the American Department of Agriculture (USDA). Later, other seeds banks - also managed by the USDA - were set up. Access to these seeds banks is open to the public. However, in order to prevent private companies from getting their hands on the seeds, an agreement signed in 1994 by the FAO and the IRRI stipulates that the IRRI may not relinquish intellectual property rights on the genetic resources in its care to third parties.

Taking advantage of the free access to the seeds, the Texan RiceTec company - that actually belongs to Prince Hans Adam II of Liechtenstein - took the genetic material of 22 varieties of Basmati rice from the Pakistani and Indian Punjab to create, by crossing them with American varieties of Indica rice, new varieties of Basmati "made in USA". For several years, RiceTec has been producing these sorts of rice in Texas and has been marketing them in numerous American supermarket chains with the help of eye-catching advertising campaigns. On September 2, 1997, the United States Patent and Trademark Office (USPTO) granted it the patent on the rice lines and grains the company had "invented" (US patent 5,663,484). The patent includes 20 claims. It is true that Rice Tec's monopoly on the crossings of all or part of these 22 Pakistani varieties, and on the crossings of its own varieties, remains limited to the United States for the moment. However the patent and the usurpation of the name of one of the most highly rated rice varieties in the world market is nonetheless a blow to the Southern farmers' most basic rights and is also a violation of the Convention on Biodiversity ratified by 168 countries, since the convention stipulates the member countries' sovereignty over their own genetic heritage.

When the news spread in India, reactions weren't long in coming. Numerous groups of Basmati rice farmers who use traditional methods to cultivate it on the foothills of the Himalayas demonstrated in front of the American Embassy in Delhi. The sale of the "queen of flavours" is indeed the main source of income of hundreds of thousands of farmers' families. Kept for festive tables, this flavoured rice is prized in the national market, and fetches very high prices in the world market. More than 80

% of the Indian production is exported. In 1998/99, Indian exports amounted to more than $ 425 million. Today, RiceTec is on its way to dominating through a considerable share of the market, as the volume of American imports has accounted for 10 to 12 % of the total exports of Indian Basmati to date. But the farmers' movements are not only furious with the economic side of what they call biopiracy. They also fiercely denounce the WTO provisions that allow any private company to obtain - legally - monopoly rights over some age-old natural and cultural heritage. And they do not hesitate to call this a new form of colonialism.

Meanwhile, in the United States and in Canada, NGO's such as RAFI and the Basmati Action Group launched information and boycott campaigns, and a postcard action addressed to the Prince of Liechtenstein was carried out in Europe.

After considerable hesitation, India has eventually reacted to its farmers' anger and notably to the actions of Vandana Shiva - the pasionaria in the fight against biopiracy. In June 2000 the governmental institution APEDA requested the USPTO revoke the patent. But it decided to challenge only 3 of its 20 claims, assuming that the USPTO would automatically order the re-examination and the withdrawal of the whole patent. RiceTec, however, foiled this strategy and voluntarily withdrew four claims. The annulment of part of the patent is certainly a great victory, but is still an insufficient one. It is India's duty to persist and to put forward, for instance, the TRIPs provision on the geographical consideration that already makes the protection of products such as champagne possible.

So, the campaign against the patent on Basmati rice has now resumed with even more determination. At the end of November 2000 an international press conference took place in Geneva. Numerous appeals from Vandana Shiva and many southern and northern NGO's have been spread on the Internet, while a new lobbying coalition - the CART (Coalition Against RiceTec's Patent) - is being set up.

"The Basmati case" is the subject of numerous documents that are often available on the Internet; the above-mentioned information comes mainly from publications by RAFI, the Berne Declaration, and Vandana Shiva. EFTA's Web site: www.eftafairtrade.org (Rice Observatory) allows you to have access to some of the documents and sites referred to, and to follow the latest developments of this issue.

Yet, life patenting blatantly contradicts the Convention on Biodiversity (CBD) drawn up in Rio de Janeiro in 1992 and ratified, since then, by 168 countries (with exception of the United States, who refused to sign). The Convention insists on the implementation of regulations protecting the knowledge of traditional populations and promoting a fair distribution of the benefits of biodiversity.

For its part, the FAO once again is working on the International Undertaking on Plant Genetic Resources - an agreement already concluded in 1987 - and is developing a binding legal system - possibly within the framework of the CBD - that could settle, among other things, the question of the management of world genetic banks, and serve to protect farmers' rights.

Basmati and Jasmine rice made in USA

Meanwhile, the list of patents is quickly getting longer. In 2000, there were 609 patents on rice ; most of them were registered to the benefit of American and Japanese companies, and more than half is owned by a total of 17 companies.[25] The list is certainly not exhaustive and greater, easier access to this kind of information is hard to come by.[26]

In the name of equity ...

At the beginning of 1997, the State of Orissa instituted proceedings against OXFAM-India on the grounds that the NGO would have tried to export rice from Kahalandi, a region struck by the 1996 drought, thereby bypassing the governmental ban on rice sales outside the district; that it would have exploited poor farmers; and that it would have pocketed the fruit of the transaction, i.e. foreign currencies.
For several months, the local court hadn't given a decision on the matter, while OXFAM-India kept denouncing the underlying interests at stake.
OXFAM-India, a non-profit-making NGO, has actually never taken this trade initiative. On the contrary, it has been supporting a lot of farmers' organisations from Orissa since 1978, and is now working with POKS, among others. This association is established in the western part of the State, and aims mainly to promote organic farming and direct marketing of the products. POKS planned to export - with the support of OXFAM-India, and after having obtained the indispensable legal permit - 14 tonnes of organic rice to Fair Trade organisations in Belgium and England. The amount was essentially symbolic, as the exportation was aimed at raising public awareness on pesticide imports from industrialised countries, and on the impact of the WTO on the Indian agriculture. On top of that, POKS decided to use the profit to obtain a credit and build a plant where its members would be able to husk and polish their rice. This means that now, having a finished product isn't only economically advantageous, it means above all alleviating the debt burden, or even bypassing the middlemen who control the rice

An exemplary case is the patent on the flavoured rice Basmati of the American company RiceTec. For the moment, it is the only patented rice that sparked off protests and international solidarity actions (see box "The Basmati case").
What is seldom talked about here in Europe is that producers of Jasmine rice - a Thai flavoured rice - have also been mobilising since 1998. They fear that RiceTec, or other corporations, will set their heart on their precious rice too. One Italian variety of rice that has strictly nothing to do with flavoured rice, has already been marketed under the name 'Jasmati'. With such a brand name, owned by RiceTec, consumers may risk falling under the illusion that they are being offered a new flavoured variety.
Laï Lerngram, a small organic farmer from the province of Surin, in the north-east of Thailand: "Since our ancestors began to grow Jasmine rice, it has belonged to Thai farmers, and to Thai village communities. Nobody, not anyone, can claim ownership or assume exclusive rights. The patenting of Jasmine rice or the misuse of its name is a shameless theft towards us, the small Thai farmers, and a violation of our most basic rights."[27]

25 Derwent Biotechnology Abstracts compiled by GRAIN from 1987-2000

26 "Currently, we don't have any knowledge of Philippine rice variety (or gene/s of a Philippine rice variety) that is being patented abroad. And that's where the tricks lie. Most of the published patents on rice around the world (e.g. Derwent Biotechnology Abstracts compiled by GRAIN from 1982-1997) would reveal only the "number" of patents but not on "what" specific rice or of what genes of what rice variety. That means we don't have patented rice yet, all because we never know. Perhaps we never will. " (Vlady Rivera, Masipag, personal communication, 22 March 1999)

market and dictate the prices, and grant loans at usurer rates when necessary - a necessity they never hesitate to create.
Since rice marketing was banned, the weight of this monopoly has been even more noticeable. The region of Kahalandi, one of the most fertile and productive ones in the subcontinent, has had grain surpluses for more than 20 years. It is still the case, despite the 1996 drought. Every farmer of the region has had surpluses. But paradoxically, most families don' t have enough to eat. How is it possible ? POKS and OXFAM-India are absolutely positive : the governmental restrictions benefit the influential traders. They buy paddy rice at low prices, pay themselves unscrupulously by reselling the finished product to the growers, and export large quantities outside the district, where prices are higher. For lack of sufficient income, farmers go so far as to sell their whole harvest, including the rice meant for sowing the next season.
POKS has always been denouncing the role of the middlemen, who, under the pretext of staving off a disaster, asserted their power. Once more, food insecurity has not been brought about by natural reasons, but caused by human and political injustice.
Were the proceedings instituted against OXFAM-India devised (and financed) by some traders anxious about their privileges ?

Nearly three years have elapsed since these events. OXFAM-India has eventually been "acquitted", but POKS is still fighting to get an export licence. In 1999, the government gave the necessary permit, but after the cyclone that destroyed part of the State, POKS decided to send the rice intended for export to the disaster areas. Because fairness is not only a matter of trade.

The answers of Fair Trade

Fair Trade works by the application of new methods at the edge of the world market but is, nevertheless, subject to the same laws as conventional trade. The trading partners require an export licence and are subject to export restrictions, despite the fact that the fairly traded quantities are tiny from the global point of view. Because the objectives of Fair Trade often conflict with the interests of intermediaries and of some people in political circles, it often finds itself cast in the role of troublemaker or even scapegoat. The trial against Oxfam-India speaks volumes (see box "In the name of equity.").
Furthermore, within Fair Trade circles, sustainable development means what it says. It takes into account the nutritional circumstances of a region, and aims to open and secure access to food for the population groups in question. One of the priorities for all fair trading partners is the creation of steady sources of income. This usually involves the production of finished goods and local packaging to add value, and it is of course preferable if this can be done in cooperation with processing, transport and export operations which also subscribe to the Fair Trade ethos.
Fair Trade supports, by a fair price policy and long-term business relationships, farmers who use or are planning to use ecological cultivation methods. It can thus give small farmers - the

27 In "Thai people' s movements mobilise to protect Jasmine Rice", in Biothai Information Release, Bangkok, 26 April 1998. Further information in Matt Griffith, "Thai Jasmine Rice and TRIPS : A Potential Case Study", OXFAM UK, October, 2000.

stepchildren of the agrochemical industry and the Green Revolution - the support they need to become self-sufficient.

Fair Trade, an opportunity for small rice farmers

Several EFTA members have been importing Hom Mali rice from Thailand for ten years. This flavoured rice, better known as Jasmine rice, only grows on the arid soil of Isan, in the north-east of the country. Thanks to its flavour, it is highly priced in the world market. Its production is actually first intended for export. For most of the 5 million small farmers, it is the only source of income. But this important export product (25 % of all Thai rice exports) mostly benefits traders. The underpaid rice farmers manage neither to earn their keep nor to break out of the vicious circle of debts.

The Fair Trade Hom Mali rice is being cultivated by the members of four farmers' organisations from Surin and Yasothorn, two provinces of Isan. Thanks to the promotion of organic farming, the processing and packing of rice where it is produced, and the direct marketing of the finished product, the rice farmers eventually get financially rewarding prices. So they can stay on their land, invest in the production and consolidate other activities. The setting up of seeds banks, for example, allows farmers to stock their crops and sell them when prices are favourable, to take out loans, and to safeguard local varieties. At the same time, Fair Trade sales have contributed to implement several pilot projects of Green Net, the Thai partner organisation. This has included obtaining an export licence (reserved, up until then, for big trading companies), the creation of a national distribution network of organic products based on the Fair Trade criteria, and the foundation of a labelling organism recognised by IFOAM. Green Net is also a member of several networks that campaign against biotechnology and life patenting in Thailand and southeast Asia.

Time and perseverance were needed to achieve all this, as was the support that only Fair Trade organisations were willing to give to small farmers who had neither the required expertise, nor the necessary facilities to start coping with the demands of international trade. Increasingly strict health and quality requirements, strict administrative hurdles, deliveries that had to be received within the allotted time or on request - even when badly timed – have all played a part in creating more barriers to trade for small producers.

Today, new small rice farmers are starting to take part in Fair Trade. Another Thai organisation of Jasmine rice producers, the Progressive Farmer Association (PFA), has found outlets in the Netherlands. Thanks to the profit, its members can bypass middlemen and finance, among other things, the purchase of buffaloes and investment in a fish-breeding project. In India, two organisations have started exporting Basmati rice : Agrocel from the Kutch district in Gujarat to England, and Navdanya (founded by Vandana Shiva) from Uttar Pradesh to Germany and Belgium. Through its exports Navdanya also aims to broaden the scope of its fight against biopiracy and the patent taken out by RiceTec on Basmati (see box “”The Basmati case”). A third organisation, POKS, still hopes to sell rice from Orissa in Europe (see box “In the name of equity...”). In Laos, the Association pour le Soutien au Développement des Sociétés Paysannes (ASDSP) is financing the building of small gabions dams by selling jams and fruit juices within the network of World Shops. Its members, small indigenous farmers, are also marketing a mixture of three traditional varieties of Laotian rice : white flavoured rice, gluti-

nous rice and purple rice.

All these organisations have fought for years to promote small-scale farming, the small farmers' food sovereignty, and the sustainable development of their regions. But they are newcomers to the field of export and they haven't yet acquired the necessary possibilities, facilities and knowledge. They must therefore use the services of a third party, for instance, as they have no export licence. And as their technical facilities are inadequate, they are still forced to export their rice in bulk.

The assessment of 10 years of partnership with the farmers' organisations of Surin and Yasothorn, which is being carried out, the dialogue between EFTA members and their new rice suppliers, and the introduction of a Max Havelaar label planned for 2002 will probably help the newcomers to gain access more easily to our markets. Meanwhile Fair Trade organisations will go on supporting their partners' fight for the basic human right : the right to eat.

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10 Arts and crafts

World market of variety

Sabine Pakulat, with contributions from Carol Wills, Hester Stafleu and Kath Anderson

The branch of Fair Trade that might be described as 'development' trade grew as a response to poverty in the South: and focused primarily on the marketing of craft products. Crafts may be made in the home or in small workshops, from locally available raw materials. They do not require heavy capital investment. They are labour intensive. Skills are passed on from generation to generation. They may be made in so-called 'free' time - time that is not spent work-

ing in the fields or in domestic work such as child-care, cooking, collecting water or firewood, looking after animals. Crafts provide employment for women, who often have few other opportunities for paid work. In the early days there was much talk of crafts providing "supplementary income" to families. This was until analysis showed that large numbers of women were single heads of household with multiple responsibilities and that, far from being supplementary, the income from craft production was absolutely essential for their survival.[1] Fortunately the market for crafts through the World Shops was wide open: there was little competition from the mainstream and for many ATOs sales grew and grew!

Exporting to Northern ATOs still provides a valuable stepping stone into the export market. But as the ATO market for handicrafts is worth about 110 mio. Euro per year world wide, the opportunities for growth are limited in comparison to the wider gift-giving market, worth £22bn (about 35bn Euro) in the UK alone. With the right support, Fair Trade businesses have the potential to gain access to these markets.

Snapshot of the market

During the business year 1999/2000 the 12 EFTA trading companies sold a total of 39 million Euros in non-food articles. Their handicraft trading partners[2] in the Southern hemisphere number over 400, half of which are active contacts. 25 % of these trading relations are with partners in Africa and the Near East, 25 % with Latin America and 50 % with Asian partners. In terms of order volumes, Asia's share is even more pronounced: according to internal estimates, two thirds of European imports come from Asia.

This preponderance is revealing of the requirements of the market in general. The average

What were the origins of Fair Trade? The Americans were first with Ten Thousand Villages (formerly the Mennonite Central Committee Self Help Crafts) and SERRV (now SERRV International) beginning to trade with poor communities in the South in the late 1940s. In the late 1950s, Oxfam GB bought some embroidered pin cushions from Chinese refugees in Hong Kong and realised that it could help people through buying and selling the products they made. At about the same time, Fair Trade Organisatie Holland (in that time: S.O.S. Wereldhandel) began to import small wooden statuettes from Haiti. This was the beginning of a new world-wide movement. The European Fair Trade organisations have developed their ranges of products in a variety of ways. Some of them have specialised in handicrafts. For others, foodstuffs - mainly coffee - have gained more and more importance, and non-food items serve as a folkloristic complement within the total range of products. Handicrafts are not just important, for both producers and importers, in terms of the volumes they sell, they also determine the image of the catalogues and the world shops and they are important for turnover and margins of shops.

[1] *Website of the International Federation for Alternative Trade (IFAT), „A Brief History of the Alternative Trade Movement."*

[2] *EFTA Database, 2000*

Market value* 1999 (million Euros) of the EFTA members, split up into food (incl. coffee) and non-food (incl. textiles and literature)

	1999 mio. euro TOTAL	1999 mio. euro FOOD	1999 mio. euro NON-FOOD
Claro	10,05	7,64	2,41
CTM	13,43	9,67	3,76
EZA	6,79	5,36	1,43
FTO	17,02	10,89	6,13
Gepa	35,28	29,99	5,29
IDEAS	0,97	0,63	0,34
Intermón	2,20	0,33	1,87
MdM	2,74	1,15	1,59
OFT	9,64	3,18	6,46
OWW	6,20	6,07	0,12
SoM	4,34	2,30	2,04
Tc	17,00	9,52	7,48
SUM	125,65	86,73	38,92

**The market value is based on the achieved price to ultimate consumer without value added tax*

Market value* in per cent of the product groups food and non-food sold by EFTA members in 1999

	in % FOOD	in % NON-FOOD
Claro	76	24
CTM	72	28
EZA	79	21
FTO	64	36
Gepa	85	15
IDEAS	65	35
Intermón	15	85
MdM	42	58
OFT	33	67
OWW	98	2
SoM	53	47
Tc	56	44
SUM	69	31

**The market value is based on the achieved price to ultimate consumer without value added tax*

range of a Fair Trade importer extends to 1,000 to 5,000 different non-food products. The range of Asian goods is much wider than that of Africa or Latin America, and prices are normally lower. Although products of excellent craft quality and originality are to be found in all countries of the globe, the centuries old Asian trading tradition shows a clear locational advantage. Communication and trading dialogue with most of the Asian countries are much easier and more efficient than with Africa or Latin America: and handicraft sales depend, to a great extent, on the quality of marketing.

The variety in products offered by manufacturers amounts to an estimated five-digit figure, showing the creative potential of humankind. On the one hand, Fair Traders offer traditional regional handicrafts: carved wood sculptures from Eastern Africa, Molagana textile pictures from Panama, lost wax Dhokra brass figures from India, carved calabashes that tell the history of a Peruvian village - just to name a few. These are objects that carry considerable cultural, even religious, significance for the communities that produce them. On the other hand, they offer a wide range of articles for everyday use: Indian woven household textiles in up-to-date colours, glassware and practical ceramics for anyone's table, musical instruments, fashion garments, accessories or jewellery from all over the world. The marketing challenge is to position these products in the appropriate market, then to meet the corresponding design, quality and distribution challenges.

What does the customer want?

The gift market is an exacting one, but one in which Fair Trade handicrafts can offer a Unique Selling Proposition. However, hand-labour alone is not in itself a characteristic of quality. For any product, the continuous task is to bring the traditional elements - original designs and traditional production methods - into line with the taste, fashion and quality requirements of buyers in the North.

What is fair about Fair Trade in handicrafts?

In the coffee and food sectors, price has become the central instrument to measure fairness. Although reductive, this is valid at least for commodities traded on the world market, with a world market price to serve as a reference. In the handicrafts sector, a fair price has to be determined on a case by case basis, and there is no external benchmark for measuring this. There may be no local market for handicraft products, or, the market is for products not comparable with items for export. With a few exceptions (usually where international tourism has promoted handicraft production), the first export outlets for this type of product were created by Fair Trade.

Oxfam Fair Trade Company UK commissioned a study in 1999/2000, investigating the incomes of handicraft producers in Fair Trade. According to the examination of 18 producer groups in 7 countries, the income of producers working on handicrafts for Fair Trade "was between 9 and 28 % higher than what they could have earned with other activities in the same time"[3] The differing results of the groups involved is mainly explained by the sizes of the groups: there is a negative relationship between the number of artisans in each group and the per capita income. Regional disparities were relatively insignificant, suggesting that Fair Trade Organisations do pay a fair price, compared with the norms of the locality. However, this evidence is limited since, in many cases, there is no alternative activity. In can be taken for granted when women work in handicraft production, they do so at times when they would otherwise be doing unpaid tasks for the family or the community.

However, this same study also summarised the handicraft producers' view of Fair Trade. Although producers often did not distinguish Fair Trade from conventional trade in terms of the price they received, they clearly described the advantages they get from their relationship with Fair Trade Organisations:

- The Southern marketing and export organisations that export the product on behalf of the producers are often highly committed to the Fair Trade mission themselves. Their prices and fees are reasonable, transparent and accessible for producers and customers. Commercial intermediaries are avoided.
- Payments and pre-payments are prompt and reliable.
- There is the opportunity to access cheap or even free credit. In most cases, repayments can be made in kind. For many producers, this is their only means to access credit.
- Fair Trade is their first and often the only means to access the export market. Most producers lack the financial and administrative means to participate in trade fairs or to contact potential clients.
- There is continuity in the business relationship. Although producers deplore the sometimes substantial fluctuations in order volumes passed by Fair Trade Organisations, they appreciate the long-standing contacts.
- Training opportunities offered by some ATOs, and by EFTA as an association, are a precious source of information on markets, designs, marketing and management.
- Access to new technologies is made easier with international contacts and with export earn-

[3] *Impact Assessment Study of Oxfam Fair Trade; Raul Hopkins, July 2000, p. 14*

ings. Computers can be purchased with internet access; equipment, such as looms, can be upgraded.

- Assistance in the development of new, market oriented designs.

In other words, the positive contribution of Fair Trade to the handicraft sector is more appropriately measured in terms of its qualitative impacts. Sales to Fair Trade Organisations may bring about a visible improvement in living and working conditions and, in many cases, may provide the basis of a human subsistence level. These effects are particularly evident amongst those producers who are highly specialised, such as silversmiths, woodcarvers or potters. For

The long path from producer to consumer

Are middlemen really the spoke in the wheel of Fair Trade? A practical example from villages in the Philippines, where families – who usually get the orders from middlemen - plait baskets and furniture with bamboo, rattan, seaweed or reed at home for selling.

I was sitting on the veranda of basketplaiter Aida Ayuilar when a tricycle (a popular motorbike with sidecar) arrived, crammed with bamboo. A smartly dressed man jumped out, threw some pieces of cardboard and a plaited mat on the veranda, shouted a few words, and rode away. He was a middleman with an order for basket bottoms. He needs only the bottoms. The cardboard sheets give the size and the pre-plaited piece the pattern. For round bottoms he pays 0.75 Pesos (7 cents), for square ones 1.25 Pesos. The different pieces are tied together later in the factory. The family started counting straight away and realised that they couldn't even afford the raw material - seaweed - at that price. The first reaction is a firm 'I don't accept the order'. Then they realise that there is still some seaweed left, and they need hard cash to repair the roof. So, Aida will start plaiting tomorrow. Those in the village who can afford to, refuse the order. They say that 2 Pesos is the minimum payment to make a profit.

In a nearby village I talked with Oscar, a village trader. He is not my idea of a middleman. He is pleasant, speaks honestly about his problems, and he is hardly rich either. I tried to find out from Oscar what the chain of traders looks like. He started talking, and we worked at the following structure.

Imagine that an American importer wants a set of baskets.

He orders these from an agent in Manila, the capital of the Philippines.

The agent passes the order on to an exporter from the province of Bicol.

In turn the exporter goes to several agents (also named contractors) in Oas, the nearby city.

The agents then place the order with several big middlemen.

This is when Oscar comes into the picture, as local middlemen like him get the orders from such big middlemen.

Oscar is the last but one link in the chain; he has the task of going to the different producers in the village to explain the orders, supply the pattern, fix the deadlines and the price. He calls on the producers every day, and if somebody does not work, he passes the order to another producer.

Oscar is tied to his big middleman. If a producer delivers bad work, Oscar is the one who carries the can.

those whose primary activity is farming and who pursue handicraft production as a secondary job, impacts are also positive. Handicraft production in Fair Trade is an income generating activity which is much more flexible and adaptable than many other economic activities. It is not seasonally dependent and can partly be done at home. Handicraft earnings are often producers' only source of cash earnings, and can be used to pay for school fees, clothing and transport. Fair Trade relationships, however, go beyond the dimension of work and income: producers regard them as a means of social empowerment and self-determination, as well as a way of increasing their organisational and management skills.

A shorter chain

Oscar has been asked to become a member of the village co-operative that has been set up by EFTA-partner CCAP. The world is upside down: a hated middleman in a Fair Trade co-operative? Back in Manila I ask CCAP co-ordinator what line of argument underlies this.

'I came to understand that it is not possible to do without a local middleman for village production', Dada Quismorio says. 'He is needed to supply the raw materials and know how, and to monitor local production. It is best to try and bypass intermediaries such as the big and middle middlemen. This would be a big step forward.

The trade exporter can place the order directly with the local middlemen. Meanwhile much progress is needed in the organisation and training of producers, and it must become easier for producer groups to get low-rate loans.'

The power is in the hands of the buyer

The trade exporter is an important link in the Philippines. They have splendid showrooms in Manila and in Angeles City, the city famous for its trade in furniture. So far exporters have not been in the habit of taking account of producers' welfare. 'We give orders to 300 subcontractors', says Paulino's Export (supplier of Marks&Spencer, Calvin Klein and GAP, among others). The contractors place the orders in the villages. What they pay to the workers is their own business.' 'I am a trader, not a social worker', said the director of Apollo Trading in Manila bluntly. For furniture exporter JSZ in Angeles City, ethical trade is a new phenomenon: 'None of my European or American customers lays down any social conditions'. Only American buyers ask the seller to sign a form stipulating that no child labour is involved in the production. This is done readily, because there is no control.

Surely it is high time for European and American importers to lay down social obligations when they place an order in Asia. The Philippines department of the International Labour Organisation (ILO) think that social demands from importers contribute to a shorter chain and to better social conditions. 'You can only get social guarantees if the chain is shorter, easier to understand and more transparent. And transparency makes it easier to impose rights and monitor them. So we end up where we started.'

The Fair Trade organisations active in the Philippines totally agree. 'The buyer, the importer, always has the strongest influence. It is the person who comes with the orders who is listened to. The power is in the hands of the buyer.'

Hester Stafleu

Bad Boys Done Good: Developing Relationships with Commercial Traders

In the gifts, interiors and fashion markets, price and terms of delivery still matter. But it is no longer the case that buyers from department stores and fitments chains care nothing at all about the origin of their products or the conditions under which they were produced. Rather, they are increasingly sensitive to the ethical concerns of consumers, now voiced by over 70% of the population in countries such as the UK.[4] This new awareness has created the conditions for a number of exciting collaborations between Fair Trade and the mainstream.

A conventional feature of mainstream trade is that there is no trade relationship, rather a series of single transactions with no commitment to future business. Lack of direct interaction and the existence of long chains of intermediaries make it easy for importers, wholesalers and retailers to ignore exploitative practices such as downward pressure on prices. However, growing consumer outrage at such abuses is leading business to reconsider the way it manages its supply chains. Ignorance is now considered a risk, and many mainstream businesses are now turning to Fair Trade to help them understand their relationship with producers.

A more specialised market for high value handicrafts operates among a smaller number of buyers from galleries or handicraft stores, who buy in situ from producer organisations or local intermediaries. This trade is characterised by high profit margins, for these are precious art objects whose value is raised further along the market chain: an exclusive product presentation in an exclusive shop, a moneyed clientele looking for something special and authentic, willing to pay a price that can be many times higher than a Fair Trade shop or catalogue would charge. The overall share of this market segment is relatively low, and so is its impact, but Fair Traders are increasingly exploring its opportunities.

Who can pick out the clients?

Every market kind of trade has its pros and cons. The commercial wholesale trader buys big quantities, which gives job security for a while. Producers often criticize the tight delivery schedules of commercial traders, but, on the other hand, they regard these as an important and necessary learning discipline.[5] Commercial galleries purchase high-quality products from artisans (or intermediaries) and pay acceptable prices. On the other hand, these are often not recurring transactions.

Fair Trade offers producers the extensive security of long-term cooperation. What producers regret, however, is the one-sided interest of Fair Trade Organisations in low-price products and thus a lack of interest in original art pieces.

Who are they? The handicraft partners in Fair Trade

In spite of their diversity, handicraft partners can be described in four typical ways:

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[4] *Co-operative Bank, „The ethical consumer report"*

[5] *ibid, p. 12*

- Producer organisations that export their own products. They may be cooperatives or informal associations of producers.
- Non-Governmental Development Organisations (NGOs) and Alternative Trading Organisations (ATOs) in the South acting as intermediaries and providing various services to associated or independent producer groups.
- Small businesses, owned by one or more individuals, which export their own products.
- Export businesses, owned by one or more individuals, which provide the necessary export services to producers.[6]

In general Fair Trade Organisations prefer to cooperate with the first two types of handicraft partners: organised producer groups who can be reached through a producers' association or through an NGO. Development goals are of high priority in these kinds of organisation and exist to create profits for community services.
However, in many situations it makes sense for Fair Trade Organisations to work with Fair Trade intermediaries. Craftspeople may have no tradition of working in groups. Producer associations may feel overburdened by the task of marketing their products, do not regard this as their role, and prefer to specialise in production. In such cases, the producers or the Fair Trade Organisations look for local trading partners - intermediary organisations - that correspond to their criteria as far as possible. A creative dialogue is initiated on fairness, self-determination and the necessity of economic trading.

Handicraft products in Fair Trade: a world of variety

The high-grade steel bowl from Mumbai...
... is a current experiment in the Fair Trade non-food sector, and subject to animated discussion among European alternative trading organisations. URVASHI is a small industrial plant near Mumbai, India, whose management is open to the Fair Trade vision. By means of a differentiated partnership contract together with adequate monitoring, it will attempt to put the guidelines of Fair Trade partnership into practice, step by step.

Material: Coca-Cola glass
The glass blowers of COPAVIC, Guatemala, use recycled glass as raw material for their table glass production. It is melted in the furnaces of the cooperative and then blown or moulded into new forms. Hard and hot work: in this case, men's work.

Football production in Pakistan
80 % of global football production takes place in Pakistan, in large part with cheap child labour. Partner organisation Talon Sports, a medium-sized business in Sialkot, wants to do something about this and has embraced the standards of Fair Trade. Talon Sports signed the "Atlanta Agreement" for the abolition of child labour. Its stitching centres are inspected by a board of independent representatives from local NGOs, set up for this special purpose.[7]

[6] *Cf. classification from: Impact Assessment Study of Oxfam Fair Trade, p. 9*

[7] *From: Fair Pay - Fair Play, Barbara Schimmelpfennig, gepa Infodienst, 1998*

In view of the substantial rise in Fair Trade sales and in quality requirements, such organisations - mediators between producers and Fair Trade importers - are often not only useful, but indispensable[8]. The accepted view of the "ideal" type of partner organisation will always cause controversial discussions within Fair Trade organisations, with substantial participation of the Southern partners in the future. The increasing trend, however, is to form new types of partnership with new types of organisations, in order to extend the impact of Fair Trade to wider communities.

MCCH, Ecuador

MCCH was founded in 1985 by an Italian priest. The name of the organisation gives already the basic idea: 'Maquita Cushunchic Comercializando Como Hermanos'. This name, half Quechua, half Spanish, means approximately, 'Let's join hands and trade like brothers.' Initially, the only aim was to supply the population of the Quito slums with agricultural products directly from small-scale farmers – directly, and therefore more cheaply. In the course of time, there grew a whole network of 'tiendas populares' - people's shops offering basic foodstuffs. Purchase of handicraft items followed as a second step. Today, MCCH is a big non-profit consumer and marketing organisation for numerous producer groups all over the country. Producers' participation works through regional assemblies and the general assembly of elected members of each group. The organisation has a total of 103 staff members for coordination, assistance and marketing. MCCH is in close contact with different NGOs, offers courses and training on administration, bookkeeping and healthy food, and maintains its own bank offering cheap credits to small producers and higher interest for small savings deposits. The organisation is active in nearly all of the 21 provinces of Ecuador.

The artisans' groups have a special position within MCCH. In contrast to the associated consumers' organisation or peasants' groups, it is mainly women that work in this sector: many of them of Indian or Afro-Ecuadorian origin. The member group 'Salasaca' is an association of female and male weavers from 16 highland villages. 'Virgen María', a group of black women of the lowlands, produces marimbas, the typical percussion instruments for the traditional Marimba music. For these women, earning their own income is not only important for making a living, but it strengthens their position in their families and communities as well. Right from the beginning, MCCH has put emphasis on the promotion of women. Already in 1989, the first assembly of women of the organisation took place; since then, a woman coordinator has constantly been working with the women groups.

The artisans mostly work at home, using materials that they can either grow themselves (such as calabashes for the marimbas), or harvest, collect or buy locally. They sell partly to the local or the regional market and partly to MCCH, where they get a better price. Like all other members, they can take advantage of the organisation's widespread network: in all of the organisation's 400 people's shops, MCCH members get reduced prices and can pay in kind instead of cash. Part of the profit made by the shops goes into a fund for the financing of new shops and assistance for producers. [9]

[8] *Entwicklungspolitische Wirkungen des Fairen Handels, p. 295*

[9] *From: gepa Partner Manual*

Gender

In the late 1970s and early 1980s interest in income generating measures for women began to grow in the international development programme. This coincided with a growing interest in the potential of the "informal sector", whose contribution to economic growth was recognised. The "women's decade" of the United Nations (1976 - 1985) highlighted the opportunity for a woman to earn her own income as a vital element in her struggle against poverty and a precondition in her struggle for equal rights. Investment in women was, and still is, regarded as an investment in the future: women invest the money they earn in their children.
Important elements of programmes for the promotion of women in the South are that:

- They aim to raise domestic income, mainly by providing women with additional part-time jobs which they can combine with their domestic duties.
- They focus on what are often recognised as traditional female skills in handicraft production and food processing.
- They mostly combine both economic and social aims. The founding of separate women's groups aims to strengthen their sense of solidarity; the income from production is often spent for common activities.[10]

Many of these programmes have been criticized on the grounds that they perpetuated women's concentration in a narrow range of low paid, low skill, 'female' activities. A number of the income generating activities failed economically, often because there was no clear distinction between social and economic goals.[11] Development projects for women with handicraft production as a strong component suffered from a lack of marketing opportunities.
This is often the point where Fair Trade organisations come into play. Goods without a profitable local market can find an export market. It is here that the second phase of the development projects mostly start: the finishing of the products with regard to quality improvement, design or packaging. There are only few products that can be placed on Western markets without any further investment of effort. The crucial role played by Fair Trade organisations in the North and the South cannot be estimated too highly.
Fair Trade likes to make mention of "women's groups" and the promotion of women, but the specific commitment in this field still leaves room for improvement. Cooperation with women groups is often not so much an active policy, but a passive consequence of the fact that Fair Trade organisations follow the lead of their national or even international development arms, for whom the support of women's small-scale business is of importance. Among the EFTA handicraft partners, there are only a few purely women's groups against numerous purely men's groups or mixed groups where men predominate. According to a study of a group of 18 Fair Trade partners (among them the largest women groups of EFTA suppliers), the average percentage of women is 46 against 54 for men. "It is interesting to note the relationship between the relative number of women and the size of the group. The larger the proportion of women, the larger the size of the group. The fact that female groups tend to be large reduces the benefit per beneficiary but increases the total number of households involved." [12]

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[10] *From Vicious to Virtuous Circles? Gender and Micro-Enterprise Development, p. 2, United Nations Research Institute for Social Development UNRISD, Switzerland*

[11] *ibid*

[12] *Impact Assessment Study, Oxfam Fair Trade, July 2000, p. 27*

The function of purely female groups goes beyond handicraft production and self-earned money: the group is often the only refuge the women have, the only place where they may go without male company, a place of exchange and freedom for learning. Executive functions of such groups are often held by men, but also by women - in most cases by inspiring personalities who are committed to the gender issue.

The mixed groups often show similar phenomena to any mixed enterprise: men do the more qualified jobs, in particular they operate the machines, often with the argument that certain activities are too inconvenient or too heavy for women (from country to country, sex-specific activities are defined in different ways: in Guatemala, the inefficient waist loom is related to women, the efficient pedal loom to men. In India, it is rather the women who work with the pedal loom. In Latin America, the potter's wheel is a male preserve, whereas in many African countries it is a purely female preserve.) It follows that the more poorly valued activities of women are paid more poorly than, for example, the running of machines done by men[13]. If women are owners of their production cooperative or employees of an enterprise, they are paid according to their activities. In mixed groups, however, especially if production is done at home, the whole family is engaged, but just one person is a cooperative member, mostly the man. That means that the work of the family members is not calculated separately. The most positive effects for women, however - participation within the family, the production group and the community - are to be seen whenever they earn their own income. Most emancipated are widows or divorced women who are the bread-winners of their families and a registered member of their producer groups.

There are two important approaches which can be put into practice by Fair Trade without much additional effort - and which should be realised if Fair Trade wants to continue taking up the cause of gender.

- With all respect to established traditions and cultural differences, trading partners should be urged to encourage women who help in production to become signed-up members of the group, even if their husbands are already members.
- Trading partners should be urged to provide remuneration for the supportive activities of family members

"The economically substantial role of women in development work has been considered more and more since the late 1980s, so that Fair Trade, too, should pay much more attention to the gender issue in future."[14]

We do not live on bread alone

Let alone on coffee. So there are many good reasons for the continued commitment of European Fair Trade organisations to the non-food sector:

- For handicraft producers of the South, Fair Trade often offers the only possibility of an international market outlet. This especially applies to women's groups.
- The sector represents value added instead of raw material exports. It counters the exploitation of natural resources for foreign currency earnings via a labour-intensive production that makes use of these very resources and thus is interested in preserving them.

[13] *Ibid., p. 30*

[14] *Kadso Koko, African case studies in "Entwicklungspolitische Wirkungen des Fairen Handels"*

- The development aims of Fair Trade organisations in the handicraft sector – such as the avoidance of child labour and the struggle against poverty - have a model character and influence on commercial enterprises, which, on their part, are working on improved working conditions for their suppliers.
- Handicraft trade in carpets, textiles, tropical timber products and the leather industry offer starting points for an increased political awareness of labour and economic conditions in these industries.[15]

By means of handicraft products, the producers in the South "get a face", but also illustrate the message of Fair Trade itself. Handicrafts are not mass products offered in Western packing: they carry information on their countries of origin, on people and their customs. High-quality art objects are the best ambassadors for the culture of their countries, and they offer excellent opportunities to learn something about foreign countries. What we know we need not fear.

The very variety of handcrafted items are their strength. Diversification in food products has become more and more important, since the ruinous price dumping of some transnational groups makes the profit margin of smaller enterprises shrink more and more. But unique handcrafted items are not subject to direct comparisons with regard to price and performance. It is also the case that food chains are seeing the advantage in extending their range to non-food products, and not only to conventional household items. As an example, a leading food store chain offered computers as action articles.[16] One of the biggest coffee traders of Germany advertised for ladies' lace dessous.[17] When buying these, you are politely asked, "Would you like a pound of coffee, too?"
So is it all only a question of good marketing? Then there is potential for Fair Trade which needs to be explored further.

[15] *Liebig / Sauter in "Entwicklungspolitische Wirkungen des Fairen Handels", p. 170*

[16] *ALDI, 1999*

[17] *Tchibo, April 2000*

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11 Tropical hardwoods

Christoph Meyer

Timber as a commodity raw material

When in autumn, 1997 a full passenger jet crashed in the thick smoke of Sumatra's forest fires, it was a European media sensation. Interest in tropical forests was rekindled. Large forest fires raged in Indonesia, then in Mexico and the Amazonian region. Although an exceptional El Niño climate event had caused droughts in many place, "man" was quickly identified as the real cause of the fires.

Interest, once again, focused on the timber industry; and - forced by environmental groups in Denmark, Germany, Great Britain, the Netherlands, Norway, Sweden and Austria – on garden furniture in particular. Garden furniture made of tropical timber, (generally teak) has recently become a dominant product in DIY stores, lifestyle shops and garden centres.

New tropical forest protests brought with them a new message. In contrast to the early 1990s, when environmentalists raised the battle-cry, "Stop the Chainsaw Massacre!" and boycott tropical timber, they now said, tropical timber: yes, but only with the seal of the Forest Stewardship Council (FSC).

When journalists tired of the horror scenarios, there was little discussion of the bigger issues concerning tropical forests. There were even sarcastic counter-blows. "Tropenwaldschützer auf dem Holzweg" ("Rainforest protectionists barking up the wrong tree") was the title of a film by a German reporter who claimed to have detected some positive aspects of the Malaysian timber trade. Moreover, in France, a tropical hardwood boom seemed to have begun, following the opening of the new national library. Construction materials had included high-quality afzelia parquet from Cameroon, 110,000 square metres of ocume from Gabon for sunblinds and ipe for a six hectare patio. The protests of forest environmentalists all over Europe seemed to go unheard.

Despite the protests of environmentalists, the destruction of tropical forests continues, especially in South East Asia, which is now the main source of tropical hardwood. The major producers are Malaysia and Indonesia which together have 10% of the world's tropical rainforest. They exploit the forests of Borneo and Sumatra. In 1987, four fifths of globally traded tropical hardwoods came from there,[1] and in 1996 about three quarters.[2]

Indonesia created large overcapacity in timber harvesting and processing and is now experiencing its first supply shortages. Illegal felling has increased as a result of political instability and now accounts for more than the legitimate business.[3] According to World Bank forecasts, in 10 years time, the forests of Borneo will be commercially exhausted.[4]

In Malaysia, too, forest stocks are running low. Some years ago, Malaysian timber companies switched their attention to other tropical countries where they have become the main threat to the forests. Malaysian copanies are currently active in Belize, Brazil, Gabon, Guyana, Cambodia, Cameroon, Madagascar, New Zealand, Papua New Guinea, Russia, the Solomon Islands, Surinam, Vanuatu, and Zimbabwe.

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[1] *Manser, (1992), Stimmen aus dem Regenwald, Bern*

[2] *Bundesregierung Deutschland (1999), 6. Tropenwaldbericht (based on figures of the FAO 1996)*

[3] *EIA, Telapak Indonesia (1999), The Final Cut*

[4] *Thomas Walton, Derek Holmes (2000), International Herald Tribune, 25.01.2000*

Felling - the beginning of the end of the Southern forests

Ecological consequences

"The area of tropical rain forest under controlled and sustainable forest management can be globally neglected." Thus concludes a study carried out by Duncan Poore for the International Tropical Timber Organisation (ITTO). Poore examined the extent to which sustainable forest management was actually practised in ITTO member countries. His devastating finding was that less than one eighth of one per cent could be called sustainable.[5]

However, opinions differ as to the extent to which commercial felling of tropical hardwoods contributes to global deforestation. The tropical hardwood trade claims that 'poor forestry practices' account for only between two and ten per cent, suggesting that the main factors are agriculture and firewood production. These figures are based on the statistical trick of including dry forests in all tropical forests. Dry forests are hardly affected by felling and their main threat is, indeed from firewood production. Commercial timber forestry, however, takes place almost exclusively in evergreen tropical rain forests.

The World Resources Institute stated in 1997 that it is felling which poses the greatest threat to the remaining coherent primary forest (Frontier Forests).[6] In 1998, the European Joint Research Centre stressed the extraordinary danger to South Asian forests from felling.[7]

Forest destruction is particularly evident in the East Malaysian provinces of Sabah and Sarawak. On the island of Borneo, in the past 20 years, the world's most intensive commercial felling has taken place. This is where the dominant mature species are members of the commercially profitable Dipterocarpaceae family (sold under the trade mark of 'meranti', etc.).

According to experts, the average destruction rate caused by conventional felling in Sarawak is 60 %. This means that 60 % of the vegetation is destroyed through felling aisles and through damage to trees not used. Although the forest recovers somewhat in the standard 25 year interval before the second felling, after a third felling cycle, the forest no longer recovers and is finally replaced by oil palm plantations, which are far more profitable than forest management.

Most of the Sarawak forest is now seriously damaged or has been totally destroyed. Felling has declined from 19 million cubic metres in 1991 to an average of 16 million. According to the Sarawak timber association, the decline to 13 million in 1998 was caused by the Asian economic crisis.[8]

In Indonesia it has been proved that forestry operations made a decisive contribution to the devastating forest fires of 1997/98. Gaps in the canopy allow the soil to dry out, and a large quantity of felled timber remains in the forest as waste. Thus, the fire finds plenty of dry fuel and destroys any recovering vegetation including young trees and seedlings. Consequently, fire-friendly grasses like alang-alang (Imperata cylindrica) can force their way into the forest - on Borneo and Sumatra, it has already colonised vast areas. This growth effectively prevents

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[5] *Duncan Poore (1989), No Timber without Trees, Earthscan, London*

[6] *Bryant, D. et al. (1997), The last frontier forests. World Resources Institute/Forest Frontier Initiative, Washington*

[7] *Achard, F. et al. (1998), Identification of Deforestation hot spot area in the humid tropics. TREES Publication Series Bernhard Research Report No.4, Space Application Institute, Global Vegetation Monitoring Unit, Joint Research Centre, European Commision, Luxembourg*

[8] *Bruno Manser Fonds, Tong Tana, December 99*

any regeneration of hardwood forest.[9]

In Africa, only few trees per hectare - especially those which are pest-resistant or of attractive colours - are used commercially. Here, the timber trade has traditionally been dominated by European companies - mainly French, Italian and German - who supply the European market with raw material for high quality products.
The German enterprise Glunz, for example, or its subsidiary Isoroi in Gabon, usually fells only two trees per hectare for okumé wood (which was one of the hardwoods used in the French national library). For two trees, an average of one hectare has to be cleared for transport aisles. Thus, compared with yield, the destruction rate is high. When a large jungle tree is felled, many other trees are swept along causing large holes in the canopy and exposing the thin soil to erosion by heavy rainfall. Further forest is cleared to provide aisles for transporters, loading areas and camps for the workers. The use of heavy machinery compresses the soil and destroys the fine web of root fungi (mycorrhiza).
According to FAO (Food and Agriculture Organisation of the United Nations) estimates, such selective felling to extract only 5% of trees, can affect some 30 to 40% of the forest area.[10]
Recently, more and more South East Asian enterprises have applied for concessions in Africa to supply their domestic markets with large quantities of timber (used mainly in the production of paper and cardboard and in shuttering for concrete building construction). Observations in Cameroon indicate that the South East Asian operators use many more species, and that this often results in almost complete deforestation.
Reforestation is no substitute for the rain forest ecosystem, since it often consists of monocultures of fast-growing industrial woods like eucalyptus, albizzia and acacia. High quality species like teak are also grown in monocultures all over the world. Such monocultures are prone to pests and leach out the soil within few generations. Although they are no substitute for the lost living space, they have the advantage of supplying large quantities of timber, which may reduce commercial pressure upon the primary forests.

Is an ecologically sustainable forestry possible? The methods of conventional tropical forestry aim only at the sustainability of the quantity of timber which can be removed. Present practices include enrichment and improvement felling. With the enrichment system, new trees are planted in the felling clearings. Surrounding trees are cut to knee level to allow the newly planted trees a head start over the rest of the vegetation. With improvement felling, after felling itself, all the undesirable trees are poisoned in order to promote the growth of young trees.[11] Environmentalists are critical of these methods, since they cause considerable changes to the rain forest ecosystem. Nevertheless, it would be a sign of progress in most tropical regions if the timber companies applied even these measures. At present, exploitation with no sustainability strategies still prevails, - as Duncan Poore documents in his ITTO study.

Direct felling by forestry is not the only cause of destruction. In Africa and Central America, in particular, indirect damage caused by the 'door opener effect' is important. By clearing timber

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[9] *Friends of the Earth Trust/The Rainforest Foundation (Ed.) (1999), Life after Logging, London*

[10] *German Bundestag (Ed.) (1990), Protecting the Tropical Forest: A High Priority International Task. 2nd report of the Enquete-Commission "Preventive Measures to Protect the Earth' s Atmosphere" of the German Bundestag, Bonn*

[11] *Forum Umwelt und Entwicklung (1996), Waldschutz und naturnahe Waldnutzung*

aisles, forestry opens up inaccessible forest.
The first consequence is usually intensive hunting. Near the timber aisles, the forest is practically 'shot empty'. As most of the rain forest trees depend on animals to spread their seeds, regeneration is compromised.
At the same time, the aisles open the forest for settlers who practice slash and burn cultivation. The poor jungle soils are soon leached out so that the settlers are forced to clear new areas and penetrate further into the forest. Politicians often hold the settlers responsible for the destruction of the forest. What they do not say is that in many cases, shortage of cultivable land for self-sufficiency is the result of political decisions. Thus the best land is used for cash crops for export and the forest becomes a land reserve for the impoverished rural population who have been evicted from their productive land.
Unjust distribution of land strengthens the vicious circle, as in Brazil, where 45% of agricultural land is held by 1% of the landowners. In most developing countries, politicians are not interested in land reform, mainly because small-scale structures, while ensuring the subsistence of the population, do not generate foreign currency. Instead, they prefer to promote export economies, which leads to agro-industrial production areas for cattle-breeding and plantations.
In Brazil, the domestic timber economy is not, in fact, the main cause of deforestation. International attention focused only on the illegal felling of mahogany in Indian reservations. However, things are changing, because South East Asian groups have secured large concessions in Brazil and have begun to fell. With high capital investment, as much timber as possible is removed within the shortest possible time. These practices have resulted in the unlikely co-operation between the domestic forest industry and Brazilian environmentalists. On the insistence of the environmentalists, domestic operators now tend towards modest operations so that they can argue their case with their 'sustainable forestry' practices against the 'foreigners'. Here, inspection and certification of forestry according to the guidelines of the Forest Stewardship Council (FSC) is gaining significance.

Social causes and social consequences

In precolonial times, forests all over the world were left to the local indigenous population who generally lived in harmony with the forests. The central element of such use was the common use of the forests, of 'free' nature.
The forests yielded the necessities of daily life. Many different products were used: fruits, nuts, roots, vegetables, different starchy plants, mushrooms, honey, edible game, reptiles, insects and fish, a great number of medicinal plants and animals, seeds and seedlings, dyes, resins, wood and other materials for the production of housing materials, tools, and jewellery.. In precolonial times, some forest products were traded internationally - like Garahu smoked products and swallow nests from Borneo for the Chinese market. For all forest dwellers, the forest also has great spiritual significance

Colonial governments totally destroyed this balance. The forests were subject to the government and the population no longer had the right of usufruct, especially for wood.
This was justified on the basis of the 'tragedy of the commons' which contends that nobody feels responsible for common property, and therefore the resource would be ruined in the long run. The colonial power, as patron, thought it should protect and manage the forests in

a responsible way and so European ideas were applied to the tropics. One such idea, developed in Germany was 'sustainable forest management' - sustainable with regard to the wood yield - which was established in India, Burma and Indonesia, where plantations were established according to German 'age class forests'. The teak plantations of Java, once managed by Dutch colonists, date from that era.

With independence the new states adopted the same legal point of view. The state became the proprietor of the forests and granted the right of usufruct. The fatal consequences can be seen all over the world today. Unless the government protects forests, landless farmers eventually take them over, changing them into arable land.
However, there are examples of resistance to the destruction of the rain forests. In Indonesia, the rural population defends itself by sabotage of plantations of timber for cellulose production. In Malaysia, the federal state of Sarawak achieved global notoriety as a result of the Penan indigenous peoples' resistance against the timber companies. This formerly nomadic people settled in the rain forest centuries ago and have defended themselves and their interests by blockades. Tragically, their non-violent resistance has gradually been broken by increasingly harsh military means.
In Thailand, where forests have declined to between 16 and 20% of the country's surface and where felling has generally been prohibited since 1989, a farmers' movement is fighting for forest title, argueing that they will practise sustainable forestry and thus protect the forests from further (illegal) felling. Although these claims have not yet been socially recognised, some 540 common forests with a total surface of approximately 140,000 hectares (mostly secondary forest) are already being used for self-sufficiency and are protected by communities.[12]

International trends in timber trade

In 1996, the main consumers of tropical timber were Japan (29% of global consumption), the European Union (11%) and the US (7%). South East Asian countries like China, Taiwan and South Korea are becoming increasingly significant importers. Their combined consumption is currently 36%, and growing. Thus the total domestic Asian consumption of tropical timber 65% of global consumption.[13] Since 1998 imports of wood into China have tremendously increased, until 2000 they had more than trebled in volume, from 4.2 million up to 14 million cubic metres. The reason for this is the ban on logging after the flooding disaster of the Yangtze river. The largest part of the imports comes from Indonesia, Malaysia, Papua New Guinea and Gabon.[14]

In 1996, total traded tropical timber was 71 million cubic metres, of which 75% originated in Asia / Oceania.
Worldwide trade in timber and timber products has increased considerably during recent decades. According to the UNEP (United Nations Environment Program), between 1966 and 1988, international production of leaf-wood timber increased by 50%. This trend has contin-

[12] *Keßler, C (forthcoming): Is there a woman behind every big tree. Soziale Organisation von Gemeindewald in Thailand. Dissertation Albert-Ludwigs-Universität Freiburg*

[13] *Bundesregierung Deutschland (1999), 6. Tropenwaldbericht (based on figures of the FAO 1996)*

[14] *GEO 6/2001 Chinas Holznöte treffen den Regenwald, Heft No. 6*

ued into the 1990s.
The reasons for this trend are an increased demand by both Northern industrial countries and the growing economies of South East Asia, whose economic crisis led to only a temporary decline in trading volume.

More added value in tropical countries

Today, many more semi-finished products - like window edges or panels - and finished products - like furniture – are imported into Europe than was the case even 20 years ago. The most important suppliers of finished wooden products in the late 1990s were Indonesia, Malaysia, Thailand, Brazil, and Mexico. The most significant increase has been in furniture, the export value having risen twenty-five fold from $200m in 1980 to $5,600m in 1996.
In Africa, there is little processing capacity and raw and sawn wood are the dominant timber. export
In Latin America, on the other hand, furniture exports saw a twelve-fold increase -to $2,300m -, accounting for more than half the total exports. Raw timber exports have also risen – to $110m-, accounting for just one fortieth of total exports.
South East Asia is the biggest tropical exporter of furniture with $3,300m, compared to $130m in 1980. Of more significance, however, is the value of veneers and panels, which rose thirteen-fold from around $500m in 1980 to $6,400m in 1996. With combined exports of over $15,000m, the region is the world's dominant supplier of timber and timber products. South East Asia also remains the most important tropical exporter of raw timber ($1,900m), despite a decline by one third since 1980. Raw timber accounted for only one eighth of total exports in 1996.
Total world export of tropical raw timber has fallen from $4,200m in 1996 to $2,800m in 1980), fulfilling the demands by environmental and development groups for more added value to remain in countries of origin. Any slow-down of deforestation that has occurred can, however, be accounted for by external factors like changes in world market prices, recession or exhaustion of usable stocks, rather than by a sudden zeal for conservation..

The European consumer is being offered cheap garden furniture made of tropical timber, mostly teak. This furniture is mainly produced in Java - of timber from Indonesian primary forests or teak from plantations, - and Vietnam. Here, the raw timber comes largely from neighbouring countries like Malaysia, Indonesia, Cambodia, Laos and Burma. In both Vietnam and Indonesia, it is the combination of low wages and cheap timber (often from illegal felling, which also applies to plantation timber) which makes such low prices possible.[15]

Within the European Union, in the trimmed leaf-wood sector, tropical timber imports and sales of local woods have declined, and are being replaced by cheap imports from Eastern European - mainly Baltic - countries. In Germany, in the first half-year of 2000, Baltic timber already accounted for three quarters of imports. There has also been a massive increase in the import of finished goods, especially furniture, from these countries. As processing capacity is increased, this upward trend is expected to continue.[16]

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[15] *Bundesregierung Deutschland (1999), 6. Tropenwaldbericht (based on figures of the FAO 1996)*

[16] *Gesamtverband Holzhandel BD Holz/VDH (2000), Außenhandelsstatistik*

Globalisation of the timber economy

As with all international trade, the timber trade has become increasingly globalised and concentrated. Big enterprises have taken over their weaker competitors and achieved large concessions in those countries where the government has given up the function of forest management. The trade in timber from northern forests is today dominated by a small number of multinational concerns. In the South, South East Asian family enterprises are becoming dominant. Here, too, takeovers are occurring, but not on the same scale as in the North.

In the past few decades, there has also been a shift in the relative quantities of different timber qualities which are traded internationally. There has been an increase in the proportion of industrial timber of small dimensions for the production of chipboard and medium density fibreboard, as well as for industrial raw materials such as woodchips for the cellulose and paper industries.
The demand is for those kinds of timber for which processing can be automated, with a particular emphasis on timber of uniform dimensions which can be supplied from plantations. There is a global expansion of plantations of Pinus radiata, Eucalyptus, and other quick-growing species.
There has been a decrease in trade in high quality timber, such as that required for massive products, veneer or construction. These require straight and even logs of large dimensions, which come from old forest trees which are now in short supply. This shortage of large trees has been overcome by technical developments such as lamination which improve the static qualities of wood by the controlled application of heat and pressure.

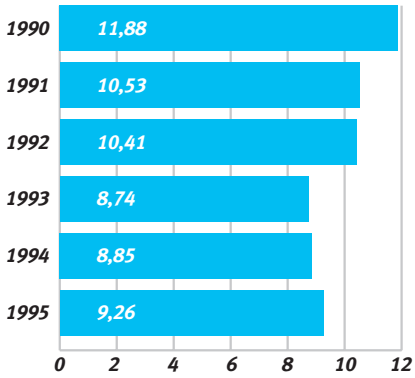
The trend towards fibre production has also influenced the timber economy in primary forests, with a move towards quantity rather than quality. Trees that might not have been considered useful some years ago and which were therefore left in situ, have now become of economic interest. Instead of allowing a forest to regenerate after felling, reforestation with quick-growing species is preferred. Forest management is thus becoming more capital-intensive and the markets are becoming more concentrated in the hands of a few big companies.

Unfair trading practices

Multinational concerns use their subsidiaries to profit from almost uncontrollable capital transfer. A common method of avoiding taxes and duties is 'transfer price manipulation'. The parent company supplies its legally independent subsidiary with equipment, licences, services or credits at excessive prices. The subsidiary carries out the felling and exports the timber at low prices to another subsidiary in a low-tax country. It is re-exported to the parent company with margins which are sometimes greater than 100 %. Thus, profits remain in the low-tax country, whereas the subsidiary in the producer country

Tropical timber imports to Europe

million cu.m. raw timber



Source: DER SPIEGEL 6/97

shows continued losses and need not pay taxes. A side-effect is that these permanent losses discourage locals from engaging themselves with such companies.
No investigation has given a clearer demonstration of the methods of the tropical hardwood industry than that of a 1989 government commission under Judge Thomas Barnett in Papua New Guinea. This revealed much more than transfer price manipulation. The industry as a whole was described as working on the brink of criminality. None of the companies examined could furnish proof that it had abided by regulations or kept to its contracts. The political dimension was particularly explosive. The commission found not a single case where the authorities had punished recognisable offences by withdrawing licences or claiming compensation. Politicians and officers had themselves reaped the benefits from the industry. Some had acted in a liaison role for the foreign companies, some owned shares in companies, and some even owned companies themselves. The commission identified the local population as the clear losers, since they lost their most important resource and received in return relatively low compensation payments.
Other common practices are false declarations of export quantities and qualities or the changing of declaration en-route so that protected species are disguised.
Shortly after the publication of the report, a former timber trader who had been defeated by international competition complained to Australian rainforest environmentalists that the unfathomable structures of the international timber trade had resulted in operations which were not subject to law. It was impossible to make 'honest' deals.

Imports of tropical timber to Europe declined in the early 1990s but have increased again slightly since 1993. The decrease was, in part, due to European consumers and communities boycotting tropical hardwoods. However, the economic situation and fashion trends have also had an influence. This can be seen from the fact that the decrease has been greatest in France, where boycott appeals are uncommon. The slight upward trend can also be accounted for by France - another consequence of the tropical timber boom following the building of the prestigious national library.
European mports from South East Asia were 3.1 million cubic metres of raw timber equivalent, most of which (2 million cubic metres) was plywood and veneer from Indonesia.
Imports from Latin America were 2.6 million cubic metres.
With 5 million cubic metres, imports from Africa were the most significant, with almost half (2.2 million cubic metres), being in the form of crude trunks.[17]

Trade restrictions

Customs policy of the European Union

Finished wooden articles carry low tariffs. The import of timber and wooden articles is subject only to EU customs regulations. There is no 'skimming' as is the case with many agricultural products. Unprocessed round timber may be imported duty-free, and with increased processing, duty only rises to 1 or 2 per cent. Preference is given to the ACP countries (countries of Africa, the Caribbean and the Pacific associated with the EU by the Lomé Agreement) and to developing countries with weak economies.

[17] *Global Witness (2000), Timber Takeaway*

Consumer resistance to tropical hardwoods

Far more effective trade barriers to tropical timber are consumer boycotts and local authority embargos on the use of tropical hardwoods.
These have resulted from the aforementioned tropical timber campaign by peoples' initiatives and environmental groups in the late 1980s and early 1990s especially in England, the Netherlands, Germany, Switzerland, and Austria. In these countries, hundreds of communities publicly declared embargos on the use of tropical hardwoods in municipal building projects. In the Climate Alliance (Alianza del Clima) alone - founded in 1992 by European communities and indigenous rain forest peoples, - more than 1,000 communities have so far committed themselves not to use tropical timber (as from November 2001), among them big cities like Munich and Frankfurt. This applies particularly to doors and windows, outdoor projects like bridges and park benches as well as hydraulic engineering projects like embankments and floodgates. Exceptions are only made in the case of FSC certified timber (see below). In fact, tropical timber imports have slightly decreased, in some segments (windows and hydraulic engineering) but the impact on volumes traded globally was insignificant.

Environmentalists argue that there is practically no tropical timber on the market which does not require the plundering of forests. Meanwhile, beside the study by Duncan Poore (see above), there have some studies and publications which prove the significant culpability of the timber industry in global forest destruction.[18]
In the context of the final declaration of the UNCED Rio Summit in 1992, one has to ask whether it is necessary to ship huge quantities of tropical timber around the world. Regional economic cycles as required by Agenda 21, should preclude such movements.
Tropical hardwoods can almost always be substituted by domestic hardwoods. The main reason why tropical species are specified is because they are so cheap.
With the exception of a very few special requirements, industrialised countries could manage perfectly well without tropical timber.

Many indigenous peoples whose culture depends on the forest also abhor commercial felling. Consequently, the boycott appeal was backed by many representatives of these indigenous peoples as well as by environmental groups from the South. "Are consumers in such a misery that they urgently need rain forest timber? If so, we are, of course, pleased to share our woods. However, what we see is that always the same people enrich themselves.", said José Luis Gonzales, coordinator of the Red Indian organisations of the Amazon region (COICA) from Venezuela at an expert conference in Berlin in 1997.

Eco-protectionism or support for the local population?

The timber trade has always insisted that felling was good for the forests. They argue that, because the forests are useful, they are precious and will therefore be protected. The main causes of destruction are not the timber trade, but others, especially the requirement for agricultural land by the landless population. Poverty and overpopulation are the basic problem, and can only be solved through economic development, which comes from the foreign exchange earnings of timber sales. "Inappropriate" forestry is the exception - "three to ten

[18] *see Dudley, N., Jeanrenaud, J. P., Sullivan, F. (1995), Bad Harvest? The timber trade and the degredation of the world' s forests, London*
or: Friends of the Earth Trust/The Rainforest Foundation (Ed.) 1999, Life after Logging, London

per cent", as mentioned above.
The timber trade is, nevertheless, unable to furnish proof that most tropical hardwood comes from "adequate" forest management with forest recovery and a local population living sustainably.
In response of the boycott appeals of environmentalists, the Malaysian government went on the offensive, declaring itself the spokesman for all tropical hardwood producing countries and accusing the environmentalists of the North of eco-protectionism. Malaysia argued that the natural woods of the North had been destroyed long ago and that Northern countries therefore had no right to dictate how the South should use their forests.
The Malaysian government's treatment of its indigenous peoples (especially the Penan, whose motto is 'You got the world - let us keep the forest') was a decisive factor in the call for a boycott of tropical hardwoods by Northern environmentalists.
"Don't get excited about the human rights of 400 people!", barked the Malaysian ambassador in a panel discussion during a timber fair in Cologne in May 1993, referring to the Penan. "These 400 people oppose progress and therefore oppose a large majority of the population."
The boycott appeals and the slight decrease in tropical hardwood imports to Europe did not, however, cause a noticeable decrease in felling. In fact, it seemed to have had the opposite effect. The timber industry argued that, because timber prices had dropped, felling had to increase in order to compensate for foreign exchange losses. However, in the case of the main producer countries like Malaysia and Indonesia, it was unlikely that the boycott had this direct effect, since there are a multitude of other reasons for international price fluctuations. Nevertheless, the boycott was quite effective as a political signal.

Untrustworthy timber seals

The International Tropical Timber Organisation (ITTO) is an association of timber exporting and importing countries which aims to improve the conditions of the timber trade. Japan, being the biggest importer, and Malaysia, being the main producer, have the most important voices. After the world-wide protests by environmentalists in the late 1980s, the organisation has addressed the issue of sustainable timber production.[19] The International Timber Agreement (ITTA) stipulated the "target 2000". From then on, only sustainably produced timber should be traded. However, nothing was said about criteria as to how to achieve sustainability, about inspections, or even about identification of sustainable forestry. On the other hand, the 1994 version of the Agreement says that it does not authorise any trade restrictions ("Nothing in this Agreement authorizes the use of measures to restrict or ban international trade in timber or timber products", ITTA article 36). In the Federal Republic of Germany, this served as the basis for the abolition of the use of timber by the ministry of transport.[20]
Malaysia used the "target 2000" promise offensively in order to justify its exports. The Malaysian timber industry issued an accreditation seal certifying that their domestic forest companies complied with the ITTO aims and objectives. In other producer countries, too, accreditation certificates were suddenly issued by governments or timber traders, without reference to criteria or tests.
But all those labels lacked, and still lack, the crucial characteristic of trustworthiness.

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[19] *Bruno Manser Fonds, Tong Tana, December 1999*

[20] *Erlass des Verkehrsministeriums BW 21/14.70.01-6/21 VA 97*

Fair Trade carvings from Machakos, Kenya

Machakos is the name of a Kenyan district, where the rural population makes a frugal living, the annual rainfall often being too little to guarantee a safe harvest. Forty year old Augustino Manyi from Katangi would have difficulties in caring for his five children, let alone sending them to school.

Machakos is also the name of a cooperative which supports over 3000 craftspeople by marketing their carvings. The "Machakos District Co-Operative Union Ltd." was initially founded by small coffee producers in 1964. The handicraft sector was established in 1988. Augustino Manyi has been a member since then and is today, chairman of his local producer group.

"With my work", he says, "I am quite satisfied, the more so because I can sell my masks and walking-sticks to the cooperative, which cannot be compared with the local market. In other words - it deals in a fair way."

The skilled Machakos artisans also work in the fields with their families. Three quarters of their time, however, is spent on their handicraft work - from the felling and splitting of the trees, to the carving itself, and finally, hand polishing. Furthermore, they teach trainees. Apart from masks, the range of products includes animal sculptures, bangles and chess games; half a million of these carvings are produced per month. To avoid causing ecological or supply problems, the Machakos cooperative is involved in consciousness raising and encourages the groups to plant trees. It is planned to establish a tree nursery for each producer group.

With his income, Augustino Manyi can send all his children to school. A water tank, which has been aspired to for many years, is now being installed.

There are, however, also positive cases of forestry - at best, local initiatives, rural timber producers, rural artisans or cooperatives working in an ecologically acceptable way who need a guaranteed outlet in rich countries. Reliable labelling, according to independent tests and fixed criteria, is necessary in order to distinguish products that contribute to sustainable forestry from 'exploitative timber'.

Solution approaches of solidarity trade in timber

The Forest Stewardship Council label

For international environmental associations, the only creditworthy initiative for the certification of timber is the non-government Forest Stewardship Council (FSC). It was founded on initiative of WWF, but is not merely an environmental organisation. Ecological, social and economic certification are evident in the equal participation of environmental organisations, trade unions, organisations for human rights and economic enterprises in decisions.

The FSC was founded in October, 1993 and is based in Mexico. It stipulates minimum forestry standards which are internationally binding for forests of all climate zones, and appoints inspectors who check the working methods of the forestry companies according to these - or even higher - standards. The FSC itself does not do inspections. For forestry and the timber

Djembé drums from West Africa

Djembés are traditional drums found in a variety of forms in several Western African countries. A traditional orchestra has, besides the soloist, two or three Djembé players and up to three bass drummers. Usually the instruments are made by the musicians themselves, for only they can give the drum the 'soul' it needs for a good sound. The drums are produced from the trunks of the mango tree, a widespread and useful tree in West Africa. As long as it bears fruit, nobody thinks of felling it- only old trees are felled for wooden products. African drums are produced by a traditional production method, which cannot be replaced by other methods when it comes to both know-how and technological conditions. Some Fair Trade organisations promote reforestation through assistance programmes and additional price payments. For example, gepa in Germany pays an extra 5% of the cost price of the drums to the Gambian organisation "Exchange Crossroads", and a cautious buying policy ensures that there will be no mass production of Djembés for export. The precious drums are particularly popular among European musicians who are interested in authentic instruments.

industry, inspections are not obligatory. The FSC is a purely private initiative where government organisations do not have any voice.

There are two fields of inspection: forest management (FM) and the chain of custody (COC).

Once it has passed its forest management examination, a forestry enterprise is allowed to sell its timber with the "FSC Accreditation Seal".

This certificate furnishes proof of the following felling criteria:

- The ecological functions of the forests - like water balance, regeneration capacity and biological variety - are preserved.
- National law and traditional rights are respected, the local population declares its consent, and the forest workers' safety is guaranteed.
- Operations are effected economically in order not to waste the precious resource of timber.

Timber plantations may as well be accredited if they come up to these standards and contribute to the preservation of forests.

The investigation of the chain of custody is necessary in order to make sure that a timber product offered by a retailer was really made from FSC certified timber. It involves checking whether the trader and the manufacturer keep the FSC timber apart from other timber.

In the case of satisfactory results in all the businesses involved, the Chain of Custody certificate is issued.

When both examinations have proved that a product originates from an FSC certified forest or plantation and has exclusively been processed and traded by FSC certified enterprises, the finished retail product may bear the FSC seal.

Customers can recognise an FSC product by the FSC seal, which has to be fastened to the product. It has to contain an inspection number, by means of which a consultant can tell if it is valid. The inspection report can also be ordered. The code SW-FM/COC-053 bears the following information: SW = the inspector's grammologue; FM = Forest Management; COC (or just C) = Chain of Custody; 053 = inspection number. The whole code says that forest man-

agement and chain of custody were inspected by Smartwood (SW), the number of inspection being 053. All certified forests are listed with their inspection numbers on the international FSC office website (http://www.fscoax.org/).

In practice, the certification system still has some deficiencies in terms of the participation of local non-government organisations and the benefit for the local population. The monitoring of those forest managements which are already FSC certified also causes probems. The Forest Stewardship Council states only minimum requirements and criteria, and national FSC working groups then introduce binding criteria for practice in each country. In the meantime, realization is exclusively done by the advisors, who - according to first indications - tend to interprete the criteria in a lax way - too lax in the view of some critics among environmental organisations. However, the procedure has already been improved, and serious abuse of the accreditation has been rare.

In 2001, ten accredited advisory organisations carried out forest management and chain of custody inspections world-wide, and six organisations are still in the accreditation phase. Globally, some 25 million hectares of forest and plantation areas have been certified. However, most of this is not in the tropics, but in the North, most of it in Sweden (10.3 million hectares), Poland (3.8 million hectares) and the US (3.1 million hectares).[21] The fact that organisations from the North submit themselves to international standards, puts Malaysia - the politically most important exporter of tropical timber with its reproach of eco-protectionism - on the defensive. In Malaysia, a separate certifying initiative has been established.

In Europe, associations of private forest owners have been defending themselves against FSC certification. Argueing that FSC certification was not appropriate to their special small-scale structures, they founded the competing seal “PEFC” (Pan-European Forest Certificate). It addresses the particular European situation and was developed practically without participation of environmentalists.
This may threaten the prospect of fair and equal treatment of global forestry, - particularly in the important and environmentally-conscious European markets.

Fair Trade timber

As development-oriented import organisations, members of EFTA must face the fact that the importing of endangered raw materials has ecological as well as economic implications. It is true that the volume of Fair Trade wooden products is small and it is unlikely that the quantities of Fair Trade timber could cause any change in global forestry policy.
The Fair Trade approach, however, focuses on the protection of forests through the local population who depend on the forest and its products and who are therefore interested in its preservation. Environmental protection which ignores the producers’ interests is bound to fail.

EFTA members prefer to promote the production of and trade in finished wooden products rather than in raw timber. Handicraft production means that value is added in the country of origin and Fair Trade criteria guarantee that this is directly to the producers’ benefit.

[21] *See the Website of the Forest Stewardship Council: www.FSCOAX.org*

The ten principles of the Forest Stewardship Council

PRINCIPLE 1: COMPLIANCE WITH LAWS AND FSC PRINCIPLES

Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is a signatory, and comply with all FSC Principles and Criteria.

PRINCIPLE 2: TENURE AND USE RIGHTS AND RESPONSIBILITIES

Long-term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established.

PRINCIPLE 3: INDIGENOUS PEOPLES' RIGHTS

The legal and customary rights of indigenous peoples to own, use and manage their lands, territories, and resources shall be recognized and respected.

PRINCIPLE 4: COMMUNITY RELATIONS AND WORKER'S RIGHTS

Forest management operations shall maintain or enhance the long-term social and economic well-being of forest workers and local communities.

PRINCIPLE 5: BENEFITS FROM THE FOREST

Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.

PRINCIPLE 6: ENVIRONMENTAL IMPACT

Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and, by so doing, maintain the ecological functions and the integrity of the forest.

PRINCIPLE 7: MANAGEMENT PLAN

A management plan - appropriate to the scale and intensity of the operations - shall be written, implemented, and kept up to date. The long term objectives of management, and the means of achieving them, shall be clearly stated.

PRINCIPLE 8: MONITORING AND ASSESSMENT

Monitoring shall be conducted - appropriate to the scale and intensity of forest management - to assess the condition of the forest, yields of forest products, chain of custody, management activities and their social and environmental impacts.

PRINCIPLE 9: MAINTENANCE OF HIGH CONSERVATION VALUE FORESTS

Management activities in high conservation value forests shall maintain or enhance the attributes which define such forests. Decisions regarding high conservation value forests shall always be considered in the context of a precautionary approach.

PRINCIPLE 10: PLANTATIONS

Plantations shall be planned and managed in accordance with Principles and Criteria 1 - 9, and Principle 10 and its Criteria. While plantations can provide an array of social and economic benefits, and can contribute to satisfying the world's needs for forest products, they should complement the management of, reduce pressures on, and promote the restoration and conservation of natural forests.

In India, for example, only about 2.5% of annual felling is used for carvings, but it can secure the subsistence of thousands of families. If they are denied access to their raw material their existence is threatened.
In May 1997, the 'Pioneer' newspaper in the state of Uttar Pradesh published the following headline: "Closure of sawmills makes 60,000 craftspeople redundant". What had happened? At the urgent request of several environmental organisations, the Supreme Court of India had given orders for the investigation of forestry authorities, who were suspected of felling trees in the ecologically sensitive rain forests of the region. The closure of the sawmills was intended to put an end to this illegal timber trade. The many enterprises affected included those in Saharanpur - a wood crafts centre - which comply with the law and only process timber from local plantations. It transpired that, although the sawmills of Saharanpur had paid the prescribed licence fees, they had not received formal registration. This failure on the part of the authorities now seemed likely to cause permanent mass unemployment. The enterprise 'Toyin Woodcraft India' in Saharanpur, a trading partner of many EFTA members, had to inform their European clients that their orders could not be fulfilled due to a lack of raw material. It was only after several petitions and a public campaign by the 'Woodcarving Manufacturing Association', that production could start again.
The FSC label does not distinguish between a multinational group and a village community as long as the forest is managed according to FSC principles.

In Fair Trade, however, people matter. They need to ask who makes use of the forest. As a development approach for the strengthening of marginalised populations wanting to protect and use their forests, Fair Trade will have a key role in the global environment discussion of the future.

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12 Cotton and textiles

Susan Haffmans

Cotton has its sunny side: white spotted fields; cotton heaped up like snow; soft cloths; beautiful fabrics; a natural product linking South with North and East with West; a precious good used everywhere in the world - daily life cannot be imagined without it. This is the sunny side. The seamy side of cotton looks rather different.

Cotton is one of the most intensively cultivated species in the world. Cotton production uses enormous quantities of pesticides, fertilisers, growth stimulants and defoliants - with substantial consequences for farmers, their families, and the environment. The danger of poisoning is especially great in southern countries. Although developing countries account only for 20% of global pesticide use, up to 75% of all lethal poisoning cases happen in Third World

countries[1]. Globally speaking, one person is killed by pesticides every minute; but governments, the chemical industry and consumers seem not to care.

Chemicals used in processing fibres include chlorine for bleaching, heavy metal dyes which cause allergies, and finishing agents which are risky to health. These toxic agents threaten not only the health of those working in the fields and in processing plants, but also the health of consumers. Social aspects of production are little better. Few people grow cotton on their own land and profit from their own labour. Work in the fields is often done by seasonal workers and – especially where cotton is picked by hand - children are employed. In the sewing, dyeing, and weaving centres of the world, (which tend to be where labour is cheap and workers have few rights), the employees are mainly women and frequently include minors[2]. No wonder then, that over 75% of cotton processing takes place in developing countries, and the trend is upwards[3]. However, a growing number of pilot projects and campaigns have shown that textiles can be produced in a socially and environmentally acceptable manner - to the benefit of farmers, workers, consumers, and the environment.

Cotton production: delicate and demanding

Cultivated cotton plants are quite demanding. They require frost-free days, intensive solar radiation, few clouds and a water supply of between 500 and 1000 mm per annum. They therefore grow best in the warm dry regions of subtropical and tropical climates. Precipitation is often the limiting factor. Wherever it is insufficient, irrigation is applied. About 15% cotton originates from irrigated fields, which can often mean a huge demand for water of up to 30m? per kg of raw cotton. The average yield per hectare for 1999/2000 is quoted at some 590kg – but this average conceals yields ranging from 100kg/ha to more than 1500 kg/ha, according to climate, region, variety, and intensity of cultivation. The leading producer nations, with yields of over 1000 kg/ha in 1999/2000, were Israel, Australia, Syria, Turkey, Spain, and the People's Republic of China. The lowest yields, (of less than 150kg/ha), were achieved by Kenya, Tanzania, Uganda, and Zambia[4].

First, there is the field

Cotton is cultivated with a variety of systems, ranging from the small-scale production typical of many developing countries, to highly mechanised and specialised large-scale enterprises in the United States, Australia, Uzbekistan, and Sudan. Harvesting methods vary too. In the United States, Israel and Australia, 100% of the cotton is harvested mechanically, compared with 90% in Greece, 80% in South Africa, and only 10% in Uruguay. In China, the largest producer of cotton, only about 5% is harvested mechanically. In many countries - like in Bolivia, Benin, Egypt, and Tanzania - the harvest is all done by hand[5]. To deal with the uneven ripen-

[1] *ILO - International Labour Office (1994): World Labour Report 1994. Geneva, International Labour Organisation, p. 82*

[2] *Gabriela Strobel (1999): King Cotton. Pestizid-Aktions-Netzwerk e.V., Hamburg*

[3] *Annual report of the Bremen Cotton Exchange 1999, p. 67*

[4] *Annual report of the Bremen Cotton Exchange 1999, p. 32*

[5] *Bremen Cotton Exchange (1996): Cotton Varieties by Countries*

ing of the fruit, and the fact that cotton plants have leaves, conventional cultivation uses chemical defoliants which cause both the homogeneous ripening of the capsules and the withering of the leaves, thus creating the conditions for a smooth mechanical harvest.

Conventional cotton cultivation: a strain on the environment and health

Pesticide use

The substantial rise in yield - from around 200kg/ha to nearly 600kg/ha since the 1930s[6] - has been achieved, among other things, through the use of high quantities of pesticides, fertilisers, growth stimulants and defoliants which have been applied world-wide – despite the serious consequences for humankind and environment. Cotton can be - and in many places is - grown in monoculture on the same field year after year. Pests and weeds thus find ideal conditions for survival. Cotton cultivation accounts for approximately 4% of the global agricultural surface. To this area, 11% of all pesticides are applied, (65% of all insecticides). Among the 25 most common insecticides and acaricides which were used in 1991, the World Health Organisation (WHO) classified only one as slightly dangerous, 15 as moderately so, 4 as highly dangerous, and 2 as extremely dangerous[7]. There is, globally, a wide variation in the method of pesticide application, (by hand, tractor or by plane) and also in the quantities of agro-chemicals applied. The average application rate of pure agent is about 9kg/ha per year. Due to increasing resistance to pesticides, the number of applications has also increased steadily and is now between 18 and 30 applications per year[8]. However, despite escalating problems of resistance, producers generally still depend on finding new kinds of toxicants rather than on the development of pesticide-free methods.

The cost of pesticide inputs increased 195 times between 1945 and 1985. In Sudan, cotton yields only increased by a factor of 1.04 in the same period[9] (see box). In the year 2000, pesticides were still a very significant cost factor in cotton production. The 1999 annual report of the Bremen Cotton Exchange suggests a "lower input of pesticides" as a means of considerably reducing production costs [10].

Threat to humankind...

WHO has estimated that, annually, between 500,000 and 2 million people are poisoned by pesticides, causing up to 40,000 deaths. One quarter of these casualties occur in cotton cultivation. Among the best known cotton pesticides are those of the pyrethroid and organophosphate groups. Over 100 organophosphate agents are in world-wide use, mostly as insecticides. They are known neurotoxins and are normally acutely toxic. They block the

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[6] *Cf. Frank, D. (1996): World Cotton Production: Current Situation and Outlook, in: Cotton Connection - Towards Sustainable Cotton Production, Pesticides Action Network Germany, Hamburg*

[7] *Cf. WHO (1994): The WHO Recommended Classification of Pesticides by Hazard and Guidelines to Classification 1994-1995. International Programme on Chemical Safety (IPCS), UNEP, ILO, WHO, WHO/PCS/94.2*

[8] *Knirsch, J. (1993): opinion of the experts on the catalogue of questions (Kdrs 12/8) for the public hearing on March 16th/17th. Enquiry Commission "Schutz des Menschen und der Umwelt" of the German Bundestag, Bonn*

[9] *Weber, C. 1991: "Pestizide auf Kredit", in: Globale Ernährungssicherung und Pestizide - Besteht ein Zusammenhang?, PAN; Hamburg*

[10] *Annual report of the Bremen Cotton Exchange 1999, p. 24*

enzyme cholesterase, which can lead to serious defects of the central nervous system and to death[11]. In the 1999/2000 harvest season, the insecticide Endosulfan was re-introduced in francophone Africa, because pests had become resistant to those insecticides which had been employed hitherto. Endosulfan proved to be effective - but not only for the targeted destructive organisms in question. Children, women and men also fell victim to the insecticide. In the main cotton region of Benin alone, there were 73 officially-registered casualties, (including 37 deaths). According to local organisations like OBEPAB (Organisation Beninoise pour la Promotion de l'Agriculture Biologique), the real number is probably much higher[12].

Health problems and poisoning occur mainly in those regions where
- users are illiterate or unaware of the danger,
- adequate protective equipment is either unavailable or beyond their means,
- clean water is in short supply
- medical care is far away and expensive.

This situation applies in many of the poor countries in the South. Furthermore, the use of discarded pesticide drums as containers for transporting and storing drinking water and food is a threat which is often underestimated. Most users do not have the special knowledge and

Six decades of pesticide use in cotton production - an example from Sudan

In 1945/46 in the Gezira region of Sudan, the first attempt was made to control the smaller leafhopper, the main pest of that time, with DDT, a chlorinated hydrocarbon. At first, this was a great success. The use of the pesticide and a sophisticated irrigation system led to the highest ever yields of the region. Ten years later, the situation looked totally different. Yields fell to an all time low. The cause of this low yield was not now the smaller leafhopper, but the cotton bollworm (Heliothis). New kinds of pesticides were introduced to solve the problem. Besides DDT and other chlorinated hydrocarbons, insecticides of the organophosphate group (HCH, Endrin and Toxaphen), were applied. Not only had the range of toxicants grown, but the pest problem had worsened too. In the 1970s, for example, some insects, like aphids and white fly developed to plague proportions. Furthermore, some pests developed resistance to the pesticides. The white fly, for example, became resistant to DDT, Dimethoat, Monocrotophos and other pesticides. Farmers reacted: by applying more, and different agents. Despite pesticide costs having risen nearly 200 times in the forty years to1985/86, cotton yields had risen only 1.04 times. The situation was no different in other cultivation regions of the world – as far apart as the Río Grande Valley of Texas or in the Ord River Valley of Australia.

Weber, C. (1995): Pestizideinsatz - Von Kapselraupen, Weichhautmilben und Pestiziden, p. 57/58, in: Zum Beispiel Baumwolle, Lamuv Verlag

[11] *Haffmans, S. (2000): Baumwolle - weißes Gold im Wandel der Zeit. In: GÄA-Journal 1/00, pp. 33-35*

[12] *Haffmans, S. (2000): 73 Vergiftete und 37 Tote durch Baumwoll-Pestizid in Benin, Pestizid-Brief May/June 2000, pp. 3-5*

technical equipment which are advised for the safe application of pesticides. The use of pesticides is seen purely as a matter of efficiency, and social, economic and cultural aspects are not taken into consideration.
Acute poisoning and chronic diseases also occur in countries which would be expected to use pesticides properly. For example, even in high-tech California, about 1000 cases of disease per annum are attributed to exposure to pesticides[13].

...and nature

Pesticides not only affect human beings. They kill useful organisms as well as harmful ones. Through evaporation, leaching, erosion, and drift, pesticides get into neighbouring eco-systems, causing contamination of surface, ground and drinking water as well as shifts in the balance of species. In the United States, for example, at least 13 pesticides registered for use in cotton cultivation, have been blamed for deaths among migrant birds.

In some producer countries, like Senegal, Sudan and Egypt, the cultivation of cotton was made possible through extensive irrigation systems which were built in the 19th century. Successful cultivation of cotton in climates with low rainfall, still exacts a high price. Irrigation systems - like in some regions of Sudan, Senegal and Uzbekistan - require about 30 m^3 of water to produce 1 kg of raw cotton. This water is withdrawn from other use and, in the absence of adequate technical knowledge, leads to salination of soil and desertification of land. Yet, more efficient irrigation technologies have been available for a long time. In Israel, for example, water demand for irrigated fields has been reduced to around 7 m^3 of water per kg of raw cotton.

The most dramatic and best known example of the effects of intensive cotton production comes from the Aral region of Uzbekistan. As a result of the huge quantities of water withdrawn for the irrigation of cotton fields, the world's fourth biggest inland lake shrank to only one third of its former area and its salt content rose from 10 to 34 g/l. The hitherto rich flora and fauna of the area has been destroyed. 1.3 million hectares of cultivated land, (about 42% of Uzbekistan's arable surface) are affected by salination. With the loss of the moderating influence of the Aral Lake, the climate has changed and become more continental[14]. Dust and sand storms which began to occur in 1975 have increased two- or three-fold, thus causing pesticides to drift even further. People's water supply comes from surface water which is highly polluted with pesticides. This eco-catastrophe has had severe effects on the health of the population. Since the mid-1970s, hereditary diseases have multiplied and infectious stomach, intestine and respiratory diseases have increased. Infant mortality is high and deformities have become more common[15]. Few people can escape from this situation.

Genetic engineering

As in the food sector, genetic engineering is used in fibre production. The aim of genetic manipulation is to implant characteristics, such as pest resistance or pesticide tolerance, into

[13] *Pease, W.S. et al. (1993): Preventing Pesticide-related Illness in California, Agriculture: Strategies and Priorities, California Policy Seminar, Berkeley, CA*

[14] *Becker, P. (1992): Giftiges Erbe. Soziale und ökologische Probleme in Usbekistan. In: Der Überblick 2/92, pp. 43-46*

[15] *Reller, A. and Gerstenberg, J. (1997): Weißes Gold, wohin? Stand und Aussichten der Baumwollnutzung. In: GAIA 6/97, pp. 35-51*

the cultivated plants. Alternatively, the effect of pesticides may be directly implanted into the plants, as is the case with the so-called "pesticide plants". In 1994, following open air trials of genetically modified cotton in different countries, the first licence for marketing herbicide-resistant cotton was granted to the US American company Calgene. The aim was to genetically modify cotton plants in such a way that they became resistant to the herbicide Bromoxynil. Thus the step from laboratory to the open air was taken - despite massive protest from environmental groups and scientists. It was feared that the cotton would develop weed characteristics and that the use of Bromoxynil would be increased at the expense of less dubious pesticides. The promised reduction in pesticide use was also questioned. Other companies developed insect-resistant plants, i.e. cultivated plants producing their own insecticide. The best known is the "Bt cotton" produced by Monsanto, which contains genes of Bacillus thurgeniensis (Bt). It is likely that the target organisms will soon develop resistance, since the insects are exposed to the same toxicant with the same spectrum year after year and resistant mutations will occur.

The assessment of the success or failure of genetically modified cotton differs according to the target group. Supporters and opponents both see their forecasts confirmed.
One party refers to the wide-spread distribution of genetically modified cotton (in the US, it accounts for over 50% of the crop) and to positive profit figures and pesticide savings. There are, for example, reports from China on the successful control of the boll weevil, where Monsanto is marketing the Bt cotton Bollgard with great success[16] - and from Australia, where, according to the Cotton Research Development Corporation, considerable quantities of insecticides have been saved by the cultivation of pesticide-resistant cotton[17].
Not so the critical voices. They refer to the steadily growing number of resistance problems, to harvest forecasts which have not been fulfilled, and to promises of improved environmental protection which have not been kept. It had been forecast that the cultivation of large quantities of genetically engineered cotton would lead to a considerable reduction in the use of pesticides. According to a recent study by the World Wide Fund for Nature (WWF), this has not happened[18]. Neither has the Bt cotton - which already accounts for 30% of all US American cotton - led to any significant insecticide reduction, nor could the use of herbicides be reduced through the cultivation of herbicide-tolerant cotton species. Although the area of cultivation of herbicide-tolerant cotton in the US has almost doubled in the last few years, the quantities of herbicides applied have hardly reduced at all. On the contrary, there has been an increase in total herbicide use. Indeed, the use of Glyphosate, the active agent of Monsanto's "Roundup" herbicide, has risen from 0.9 to 1.2kg/ha in the US in the past three years[19].

Organic farming: The sustainable alternative

In the search for sustainable alternatives, certified organic agriculture is gaining importance all over the world. Organic cultivation is much more than doing without synthetic chemical

[16] *Agrow N° 312. 18.09.98: GM cotton expands in China. p. 16*

[17] *Agrow N° 249. 12.12.97: Monsanto's Ingard cotton a qualified success. p.14*

[18] *WWF Switzerland (2000): Transgenic cotton: Are there Benefits for Conservation?*

[19] *Thalmann, P. (2000): Erwartungen in genetisch veränderte Baumwolle nicht erfüllt. In: Pestizid-Brief Nov./Dec. (printing)*

inputs. It also focuses on the whole ecosystem and aims to
reduce nutrient loss,
cultivate (locally) appropriate varieties,
make use of available organic fertilisers like manure and compost,
plan strategic crop rotation,
make use of mechanical and provident weed and pest control.
In short, the ecological agricultural system is preventative, not curative. Cotton monocultures are not allowed in organic cultivation. In comparison with the organic food sector, organic cotton cultivation is a relatively young discipline. The first initiatives in ecological cultivation were made in Turkey in the late 1980s. Meanwhile, organic cotton has now been harvested in around seventeen countries worldwide, (including Egypt, India, Benin, Peru, Tanzania, Israel, and the United States). To date, the market share of organic cotton is still tiny (less than 1%), but the trend is upwards. In some regions of India and Turkey, this kind of cultivation is becoming more and more important.

Conversion - the great challenge

It is difficult to make general statements about either conventional or ecological cultivation. This is due to the variety of agro-economic and climatic conditions and organisational structures. What may function well under certain conditions, may fail in others. When a producer decides to change from conventional to organic cultivation, this is called conversion. The difficulties of conversion depend on many factors. Some of them are technical such, for example, as the acquisition of new equipment or the cultivation and marketing of other products originating from crop rotation. Besides such technical aspects, crop rotation depends, to a great extent, on economic aspects. As a result of conversion, and thus the extension of crop rotation, the total area for cotton cultivation declines. Furthermore, at least in the first two or three years after conversion, the yield per hectare normally decreases. While it is true that, in dispensing with pesticides, large input costs are avoided, cotton sales are often essential for the national economy for foreign exchange and for farmers to earn some money. Farmers try, with conversion, to include other export or cash crops in the crop rotation, (such as wheat in Turkey or peanuts in Western Africa). Extended crop rotation thus causes not only ecological diversification but also a reduced economic risk. Ecological cultivation does, however, require new structures and competences, in areas such as marketing.

In ecological cultivation, the supply of nitrogen, potash and phosphorus is not usually a problem and is done by planting legumes and applying organic fertiliser and compost. Plant protection is more difficult. Organic cotton plants are equally attractive to destructive organisms. This requires a multi-faceted approach which includes aspects such as:
the cultivation of useful organisms,
the cultivation of decoy plants for destructive organisms,
mechanical phyto-sanitary measures after the harvest,
the employment of decoy traps
the use of natural pesticides like neem.
Because synthetic defoliants are prohibited, harvest must be done by hand. While the harvest is thus more labour-intensive, the product is much cleaner, as it is free of leaves and plant debris.

Different cultures and educational levels also play an important role in conversion. For small farmers, who can neither read nor write, it is impossible, without professional help, to fulfil the minimum inspection requirements of the EU Regulation 2092/91, which sets European rules for certified organic cultivation. The cost of certification to ensure that cultivation really is organic, is normally too great to be born by single farmers. Consequently, farmers often organise themselves into groups, build their own structures and are supported by consultants and/or non-governmental organisations. In some countries with centralised market structures, farmers may be forced to deliver their produce to a state-owned body. This prevents them from finding their own customers for their certified organic cotton.

In spite of all these difficulties, about 15 years of organic cotton cultivation have shown that it is possible to produce our favourite fibre in an environmentally sound way. In order to give more farmers and their families the chance of doing without dangerous toxicants and working in a sustainable way, the demand for textiles from organic cultivation must rise.

Trade

Raw material - textile - finished garments: global textile economy

For a growing number of countries, cotton has an important role both as a renewable fibre plant and an industrial raw material. It provides work for 100 million farmers and processors and serves as an engine of economic growth in both industrialised and developing countries. Being simultaneously an agricultural product and an industrial raw material, cotton has an enormous impact on the agricultural and industrial sectors of international trade[21]. The textile and garment industry was and still is a world-wide engine of industrialisation. Although cotton is cultivated in about 70 countries, six of them account for 73% of global production: China (3.9 million tonnes), USA (3.69 million tonnes), India (2.8 million tonnes), Pakistan (1.8 million tonnes), Uzbekistan (1.16 million tonnes), and Turkey (850,000 tonnes). Of the remaining 64 countries, may be mentioned those of the "Franc-Zone" (African countries that have the CFA currency, like Benin, Senegal, Mali and others) which together produced 928,000 tonnes in 1999/2000, and those of the EU, (Spain and Greece) which produced for 515,000 tonnes[22].

Global production in 1999/2000 was 19.25 million tonnes. This was 590,000 tonnes more than the previous season, although there had been a decrease (to 32.6 million hectares) of the total area under cotton cultivation. The increase in production was achievable through an increase in the average yield per hectare from 559 kg/ha to 590 kg/ha[23]. Cotton's share of global fibre consumption is currently about 40%. Despite the introduction of synthetic fibres in the 1960s, cotton is still an important cash crop and economic factor.

The biggest processor of cotton is China, followed by India, USA, Pakistan, Turkey, Brazil, Indonesia, Mexico, the Republic of Korea, Thailand, and Taiwan. International markets have

[20] *Stolton, S. and Myers, D. (1999): Organic Cotton - from field to final product. Intermediate Technology Publications, UK*

[21] *Annual Report of the Bremen Cotton Exchange 1999, p. 22*

[22] *Annual Report of the Bremen Cotton Exchange 1999, pp. 26-27*

[23] *Annual Report of the Bremen Cotton Exchange 1999, p. 29*

shown an increasing shift of textile production to developing countries, where 75% of cotton processing now occurs. Cotton processing in industrialised countries, which was over 4 million tonnes as recently as 1997/98, decreased by 6.2% in the following season. Another reduction is expected in 1999/2000. In 1997, the textile and garment sector of the EU represented 4% of the turnover and output of all processing industries and 7.6% of industrial labour (about 2.4 million people). Although the EU accounts for only13% of global fibre production, it is the second biggest market, after the USA, with a finished fibre consumption of about 20 kg per head a year[25].

Textile use:

World-wide demand for textile raw materials (shares in %) in the past 200 years[24]

	1780	1900	1960	1991	1999
Wool	78 %	20 %	10 %	5 %	3 %
Flax/linen	18 %	6 %	no data	no data	no data
Cotton	4 %	74 %	68 %	48 %	42 %
Chemical fibres*	-	-	5 %	40 %	50 %
Cellulose	no data	no data	18 %	7 %	5 %

** without cellulose*

Compared with other industries, the textile and garment market is characterised by international division of labour. Textiles are therefore among the most important goods traded internationally[26]. They account for about 10% of all internationally traded finished goods. Different location conditions have led to substantial global relocation of the textile industries. Countries like Great Britain, Japan and the USA, which were important producers, have steadily lost world market share. On the other hand, the share of the developing countries in the world textile markets has risen to over 40%, with an increasing total volume[27]. The importance of the garment industry is seen in the example of Bangladesh. Within a period of ten years, it has managed to increase its garment exports tenfold. More than one and a half million jobs - 85% of them for women - were created. Garment exports now account for over 77% of national exports. Furthermore, the textile industry has, also drawn in ancillary service companies providing such things as packaging and export services.

The regulated market

What has taken place recently in Bangladesh, happened much earlier in other developing countries. Alarmed by relocation trends, garment imports from developing countries were limited by agreements drawn up in the 1960s[28]. The Multi Fibre Arrangement (MFA) of 1974 is still valid. It regulates the import of textiles produced in low wage countries into the main

[24] *Data collected from: Annual Report of the Bremen Cotton Exchange 1992, p. 47; Annual Report of the Bremen Cotton Exchange 1999, p. 67; Reller, A. and Gerstenberg, J. (1997): Weißes Gold, wohin? Stand und Aussichten der Baumwollnutzung. In: GAIA 6/97, pp. 35-51*

[25] *Annual Report of the Bremen Cotton Exchange 1999, p. 51*

[26] *Windfuhr, M. (1996): Internationale Bedeutung der textilen Kette. In: Christliche Initiative Romero (Ed.) (1996): "Todschicke Kleidung. Zu welchem Preis?", pp. 15-18*

[27] *Windfuhr, M. (1996): Internationale Bedeutung der textilen Kette. In: Christliche Initiative Romero (Ed.) (1996): "Todschicke Kleidung. Zu welchem Preis?", pp. 15-18*

[28] *Windfuhr, M. (1996): Internationale Bedeutung der textilen Kette. In: Christliche Initiative Romero (Ed.) (1996): "Todschicke Kleidung. Zu welchem Preis?", pp. 15-18*

consumer countries through allotted, product group-specific quotas. The Multi Fibre Arrangement, was a protectionist measure that was only meant to last for five years as stipulated in the General Agreements on Tariffs and Trade (GATT). Its aim was to enable industrialised countries to keep pace with the growing competitiveness of developing countries. The life of the MFA has been prolonged several times[29], even though it represents an incredible exception to the general rules of the World Trade Organisation (WTO) which aim to deregulate everything. In 1995, however, a consensus was achieved in the WTO, on a continuous reduction in this quota system until 2005, thus promoting the liberalisation of the textile markets. It is difficult to forecast what effect the liberalisation of markets will have for the different players[30]. A considerable intensification of competition is predicted. The selection of locations for production will be greatly influenced by low wages, low production costs (and lax environmental regulation), existing infra-structure and short distance to outlet markets.

In the absence of the MFA, the present cotton and textile market would still not be a "free market". About 53% of world cotton production in 1999 was supported by direct subsidies, (particularly in the case of the European Union with payments to producers in Greece and Spain). There are other kinds of subsidy. Most cotton producing countries give support for research as well as technical help. China and the USA alone, subsidised 28% of global exports in 1997/98[31]. It is doubtful whether the WTO will be successful in achieving its aim: "to direct

Wendy Díaz, a 15 years old worker from Honduras:

"Since the age of 13, I have been working in the sewing factory, the Maquiladora Global Fashion. At Global Fashion, there are hundreds of children like me, thirteen, fourteen, fifteen years old, some of them only twelve. When we made trousers for the Kathie Lee brand, we were forced to work from 8am to 9pm nearly every day. (...) Sometimes we had to work all night through, till seven in the morning. The girls in the packing department nearly always have working hours like this. (...) My wage is 3.34 Lempiras per hour - not even 0.50 German marks. Nobody can live on such wages. We are treated very badly at Global Fashion. The forewomen and men roar and shout at us to work faster. (...) In the factory, it is hot like an oven. The toilet is locked and we have to ask for permission to use it, which is only allowed twice a day. We are not allowed to talk to each other during work; otherwise we are punished. Even pregnant women are ill-treated. They are sent to the ironing department, where they have to iron standing up for twelve or thirteen hours a day. Thus they force them to quit. (...) In this way, the company does not have to pay any maternity money. Sometimes the managers touch the girls. (...) Most of the girls in the factory live in fear. After we had met people from the US clothes campaigns, the company threatened us. (...)

From: Musiolek, B. (Ed.) (1997): Ich bin schick und Du mußt schuften - Frauenarbeit für den globalen Modemarkt, Frankfurt a.M.

[29] *Windfuhr, M. (1996): Internationale Bedeutung der textilen Kette. In: Christliche Initiative Romero (Ed.) (1996): "Todschicke Kleidung. Zu welchem Preis?", pp. 15-18*

[30] *Crabbé, C. (1998): Textiles and Clothing. EFTA Fair Trade Yearbook 1997*

[31] *Annual Report of the Bremen Cotton Exchange 1999, p. 22*

the enormous flows of goods into the right channels, on the basis of fair competition"[32]. The prediction that working conditions for textile workers are more likely to deteriorate than improve through increasing liberalisation - has been the catalyst for campaigns which aim to bring greater justice to the textile economy. The Clean Clothes Campaign in Europe is an example of a high profile campaign run by a small group of dedicated individuals.

Processing: from the field into the wardrobe

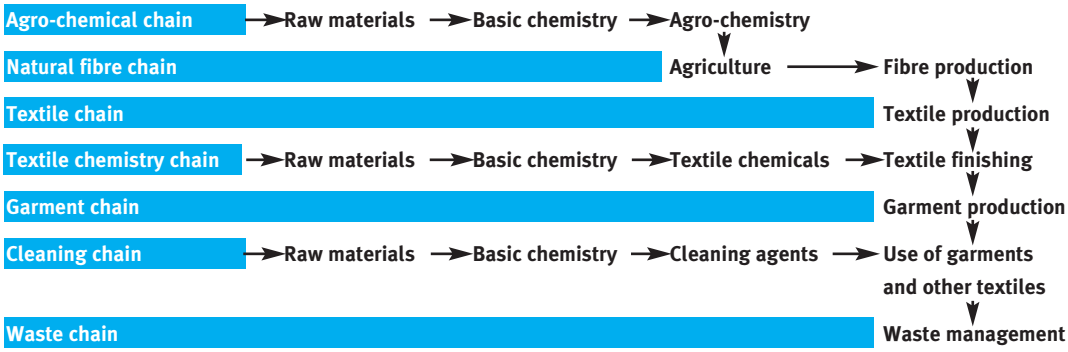
What happens to the harvested cotton? How does the content of a ripe, cotton capsule become a ready-to-wear garment? Who is involved in the process? The road from field to wardrobe is a long one. For a pair of jeans, it may be 19,000 km long - the cotton is cultivated in Kazakhstan, spun in Turkey, woven in Taiwan, dyed in France, printed in China, improved in Bulgaria, and marketed in Great Britain[33]. For labour and operating costs, for subsidies, for allowances, for environmental requirements - the price of each of these determines the route taken. Ecological and social aspects, however, rarely figure in the calculation.

Textile improvement - rather "shame!" than "cheers!"

The conventional textile chain is composed of a number of links. Moreover, there are several different chains to be considered, (see graph Main and minor chains of textile production.

But even if we only consider the main production chain, the harvested cotton passes through many stages before it appears as a shirt or pair of trousers in our wardrobe. The raw cotton is ginned; the cleaned fibres are spun, woven or knitted into fabrics, washed, bleached, dyed or printed, pre-treated, finished and manufactured. Hardly any of these processing or improving phases are carried out at the same location. Between two phases, there is often long

Flow of materials:
main and minor chains of the conventional product line of cotton textiles



Susan Haffmans PAN Germany Cotton Connection 11/2000, amended according to Inquiry Commission, 1994c. In: UBA: Nachhaltiges Deutschland 1997

[32] *Annual Report of the Bremen Cotton Exchange 1999, p. 67*

[33] *KLJB (1998): Öko-fair tragen. Kleidung für eine nachhaltige Zukunft. Werkbrief.*

Chemicals used in different steps of processing

Ginning → **Spinning** → **Weaving/knitting**

Mechanical separating of the fibre from seeds and impurities

Transport of cotton bales, pesticides use against mould fungi

Spinning the fibre to yarn; applying chemical preparations allowing high-speed spinning processes (among other things, conoils, warpoils and twisting oils made from mineral oil)

Providing surface fabrics and knitwear; treating the warp yarn with dressings (e.g. based on starch, carboxymethyl-cellulose, polyacrylats, polyvenylalkaloids)

Scorching → **Washing (desizing)**

Burning projecting fibres

Removing auxiliary substances like spinning preparation and dressing

Pollution of textile waste water

Bleaching → **Washing** → **Drying**

Using chlorine-organical compounds or peroxide bleaching as dyeing preparation

Pollution of textile waste water

Washing out bleaching auxiliaries as dyeing preparation

High energy consumption

Prea-treating → **Dyeing/printing**

E.g., mercerizing for sheen and dimension stability; or steeping for shrinking (higher elasticity, better absorption of dyeing agents and chemicals); treating with strong sodium hydroxide

Pollution of textile waste water

Employment of synthetical and natural dyeing agents and printing pastes (global consumption of colouring matters: 500.000 - 600.000 tonnes)

~20 % of dyeing matters are lost in textile waste water

Finishing/rigging → **Drying** → **Manufacturing**

For optical or utility characteristics like crease, felt and shrink resistancy; slide and machine resistancy, anti-electrostatics, etc.; among other things, by means of synthetic resins, chlorofluorocarbon

High energy consumption

Tailoring, sewing, ironing ~20 % of dyeing matters are lost in textile waste water

Pollution through: fluorinated hydrocarbons, release of cancer causing dichlorinated propanol (DCP), formation of dioxins and nitrosamins; big quantities of waste water

Susan Haffmans, PAN Germany Cotton Connection 11/2000

inter-continental translocation, for the textile economy is organised globally. Regardless of the location, a number of ecological and social problems arise. The following graph shows the conventional processing steps from raw product to ready-to-wear garment from the "environmental" point of view, and names the chemicals used and their impact on the environment.

Working conditions in the textile factories

For textile workers, unhealthy working conditions are the order of the day: In the ginning and spinning mills, the air is polluted with whirling fibres and dust, containing pesticides. Respiratory diseases are common. In the dyeing centres, the major hazards arise from solvents, fixatives and dyeing agents which are absorbed through the lungs and skin. The improvement sector uses still more chemicals. In assembly factories, extreme temperatures, poor lighting, and blocked or missing emergency exits are the order of the day. The workers are not, however, only exposed to direct health hazards. The social and legal conditions under which they are employed, are often of even greater significance to them. The following are commonplace for women in the garment industry:
piece-work,
no working hour regulations,
low wages,
no break regulations,
regular extra hours and double shifts in times of order pressure,
no protection against dismissal in case of pregnancy or sickness,
sexual harassment.
The situation in factories in the so-called Special Economic Zones is especially serious. Companies prefer such zones for production. This is not only because of the tax advantages. Here, they are also granted other advantages, such as immunity from national social and employment law, and prohibitions on trade union work. To attract foreign investment, governments promote the advantages of the Special Economic Zones. In these zones, there is almost no national control and workers are at the mercy of proprietors[34].

But even with the finished garment, the textile chain and its consequent ecological and social problems do not end. If we are to consider the whole product life cycle, we have to ask where the garment goes after it has been discarded. Here we enter the field of used garments.

What happens to used clothes?

European garment consumption

European textile consumption amounts to approximately 20kg per head a year. Germany leads with 26kg. Great Britain uses over 19kg, Italy around 18kg and France nearly 17kg. These are way above the international average consumption of 8kg per year[35]. Our textile consumption is way in excess of that required to satisfy basic needs for protection and warmth. By our clothes, we signal political attitudes, group affiliation and social prestige. Furthermore, while buying clothes may be a burden to one person it is leisure, entertainment, relaxation and fun for another. Often the aim of the purchase is not the acquisition of the garment itself, but the feeling of shopping, of success, having got a bargain or simply of "having treated oneself".

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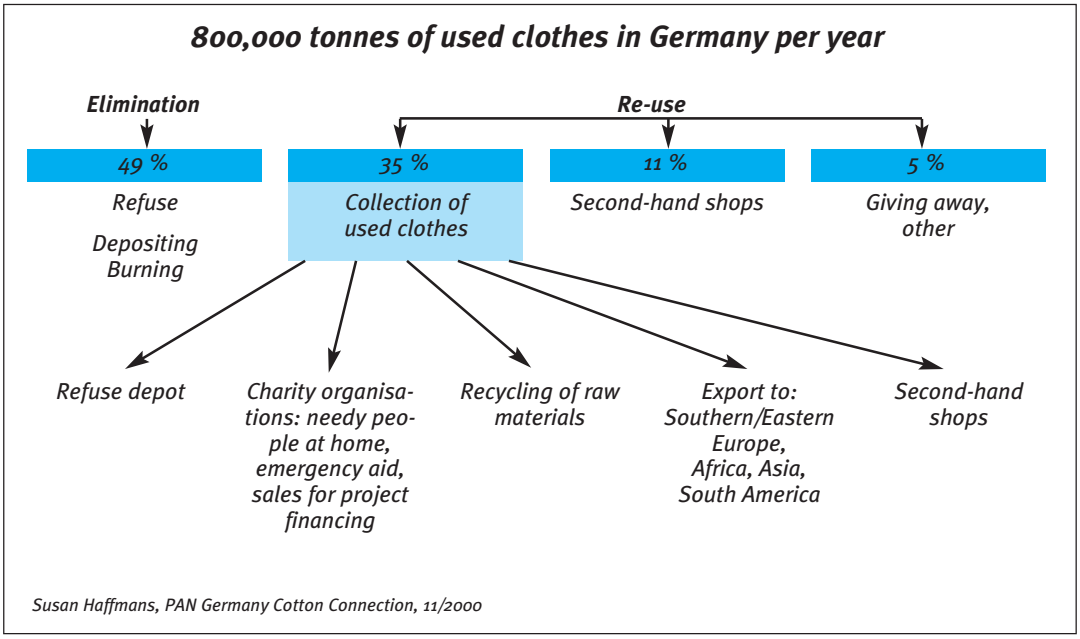
[34] *KLJB (1998): Öko-fair tragen. Kleidung für eine nachhaltige Zukunft. Werkbrief, p. 28*

[35] *Gesamtverband der Textilindustrie (1994). In: Fadenlauf: Ökologische, gesundheitliche und soziale Aspekte des Textilkonsums. Stiftung Verbraucherinstitut Berlin (1997)*

The used clothes problem

What was up-to-date and chic yesterday is, from the fashion point of view, unwearable today. Given the excesses inherent in the fashion retail industry, the question arises of what should be done with the discarded textiles and clothes The following graph shows the use of used clothes, in Germany.

Only about one third of the clothes is recycled or re-used. The rest go to disposal sites or incineration plants. There, the burning of synthetic or mixed fibres can pollute the environment through toxic emissions containing dioxins and furans[36]. But the recycling and re-use of textiles are not without their problems either. What happens to the clothes which we, with



a clean conscience, give to a collection, hoping that they will be put to some useful purpose? Where do these textiles end up? Fewer than 20% of used textiles go to domestic clothes depots or to refugee camps. The bulk of the textiles are purchased, sorted and exported by re-sellers. Due to the steady growth in textile consumption in the industrialised countries and the growing outlet markets in the countries of the South and East, the trade in used clothes is flourishing. But there are never winners without losers.

European clothes on African markets

Time and again, reports on the threat to African textile industries from mass imports of European used clothes make the headlines[37]. According to the Saxon Textile Research Institute of Chemnitz, 46% of exports of collected used clothes from Germany go to Western

[36] *Bürgerinitiative Umweltschutz (Biu) (1995): Textilrecycling: Zwischen verbrennen und exportieren. In: Ökologische Briefe N° 10 of 04.10.1995, p. 15*

[37] *Mösch, T. (1994): Der Deutschen Kleider in Afrika. Altkleider-Exporte bedrohen die afrikanische Textilindustrie / Karitative Kleidersammler werden sich erst langsam des Problems bewußt. Die Tageszeitung 05.11.1994, p. 7*

Europe, 34% to Eastern Europe and 20% to Africa, Asia and other countries. Other sources speak of "more than half" of these textiles being exported to developing countries[38]. Considering the fact that the annual textile consumption of some African countries, like Nigeria and Cameroon, is between one and five kg per head, the enormous impact on local textile markets can only be imagined. Second-hand goods from the United States and Europe - coming from street collections by both commercial and charity organisations - are offered at local markets at unbeatably low prices. The countries' indigenous textile industries and tailors can only capitulate in the face of such competition.

Fair treatment of used clothes

The activities of the society FairWertung in Germany provide an example of commitment towards greater fairness in the trade in used clothes. Being convinced that we all bear some responsibility for used clothes, in 1994, several Catholic organisations in Germany founded the federation Dachverband FairWertung e.V. Protestant institutions and other charity organisations joined them. The society aims to develop socially sustainable strategies for the treatment of used clothes and shoes, to reduce developmentally destructive exports and to make marketing channels transparent. Organisations, traders and sorters who act according to FairWertung principles may, having paid the licence fee, use the FairWertung seal. The essence of the agreement is the commitment to export to Africa, no more than 10% of clothes and 20% of shoes collected. Furthermore, contract partners commit themselves to pass on clothes in good condition to clothes depots at home or to relief projects abroad. Thus, they renounce part of their collection profits. At present, about 150 non-profit organisations have licence contracts[39].

Marketing

The question of benefit

There are several ways to market textiles, but there are two main variants: either offering low prices, or promising additional benefits. The additional benefit may be purely suggestive, like "a feeling of freedom", or "the big adventure" - or it may be more concrete. It may, for example be implied that by buying a certain brand, the consumer identifies with a certain group, acquires a certain desirable image, or distinguishes him or herself from others in a desirable way. But there are also other kinds of additional benefit. The textile may, for example, be skin-friendly and be guaranteed not to contain allergens, thus providing a direct and noticeable benefit for the consumer.

Skin-friendly, environmentally friendly, social - the flood of labels

Newspaper headlines such as "clothes which make you ill", dismayed allergy sufferers. It was not long before the first garments carrying environmental textile certification labels entered the markets. These garments, labelled as toxicologically harmless or skin-friendly, had a

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[38] *wib (1994): Altkleiderexporte gefährden Textilindustrie. wib 7/94-XXI/148, p. 120*

[39] *Dachverband FairWertung e.V. (1999): Alte Kleider auf neuen Wegen. FairWertung: Ein umwelt- und sozialverträgliches Konzept. In: Umwelt im Dialog - Neue Wege zu nachhaltigem Konsumverhalten. Project manual of the event in the Museum of Hygiene of Dresden 28.-30.10.1999, p. 30*

common characteristic: the labels certified the credentials of the finished product, but made no reference to the security of the whole textile chain.
Examples of certification labels are the European Flower of the European Community or Eco-Tex Standard 100 with the slogan, "Confidence in Textiles". For many consumers and producers, these labels are sufficient for their needs.
But not for all of them.
Many people are now more aware of product life cycles and the ecologically deplorable situation in the whole textile economy. Thus there arose a demand for textiles whose production, from raw material to finished product, was ecologically sustainable. For this group of critical producers and consumers, it is not enough merely to remove nasty chemicals from the finished product. It is also important to prevent the use of procedures or chemicals which could be a burden to the environment or the health of workers and consumers. Of course, here too, there are different viewpoints. For the USA garment producer Patagonia, the catastrophic environmental pollution caused by cotton cultivation was the main incentive for its environ-

The seven basic ILO Conventions

Convention number	Name of Convention	Year of passing	Number of ratifying members (01.12.1998)	Important non-ratifying nations
No. 29	Convention on forced labour	1930	149	USA, China, Rep. Korea
No. 87	Convention on the freedom of association and the protection of the right to association	1948	122	USA, China, Brazil, India, Thailand
No. 98	Convention on the application of the principles of the right to association and the right to collective bargaining	1949	139	USA, China, India, Rep. Korea, Mexico, Thailand
No. 100	Convention on equal payment	1951	137	USA, Pakistan, Thailand
No. 105	Convention on the abolition of forced labour	1957	131	China, India, Indonesia, Japan, Rep. Korea
No. 111	Convention on non-discrimination at the workplace	1958	130	USA, China, Indonesia, Japan,Rep. Korea, Thailand, United Kingdom
No. 138	Convention on the minimum age for employment acceptance	1973	67	USA, China, India, Indonesia, Japan, Rep. Korea, Mexico, Pakistan, Thailand, United Kingdom

Source: ILO. From: WEED: Belohnen, Beschämen, Bestrafen; Bonn. 1999

mental activities. By 1995, the company was using only cotton from organic cultivation. Patagonia was thus a pioneer. For other companies, the exclusive use of natural raw materials, like cotton, silk, hemp, wool, and their environmentally friendly production were important. They sought to exclude certain bleaching, dyeing and improvement processes which are risky to the environment and to health.

Alongside the "environmental movement", there are also people who refuse to associate themselves with the enormous social (see paragraph on campaigns) and trading disaster which is the textile industry. They therefore commit themselves to fairer trading of textiles, promoting products from Third World countries in a well-targeted way. Although the textile economy is complex, there are – as is the case for coffee, cocoa and bananas – sources of Fair Trade textiles. The range includes scarves, household textiles, T-shirts and dresses. Generally, the products are sourced from producers who have insufficient or no sales outlets for their textile products in their own country. Fair Trade encourages the use of indigenous skills and local resources, and emphasises the need for as many processing steps as possible to be retained in the country of origin[40].

Most recent efforts are aimed at a combination of "health", "environment" and "social" issues, producing textiles which are healthy to wear, which have environmentally-friendly production and which have been processed with respect for social justice. Some of these aspects go hand in hand. For example, whenever heavy metal dyes are banned, this implies environmental protection, and vice versa. Closed production cycles can lead to considerable savings of fresh and used water. Furthermore, regulations on maximum working hours protect workers' health, and the payment of a minimum wage may prevent factories from profiting from cheap (or child) labour.

Who cares about workers' rights?

International responsibility

The International Labour Organisation (ILO), founded in 1919, oversees the interests of the labour force at an international level. Being an agency of the United Nations (UN), the ILO makes recommendations for the setting of internationally binding standards and guidelines, but it has no effective powers to enforce them[41]. ILO is composed of representatives of governments, employers and employees. Their work concentrates mainly on the elaboration and ratification of international agreements as well as on the development of control mechanisms on national level[42]. For nation states, there is a duty to disclose information as well as appeal and control procedures. The effect of ILO conventions thus, above all, depends on the goodwill of the different governments. But many member states have neither ratified the conventions nor even considered them in their industry. (see table: The seven basic ILO Conventions).

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[40] *Die Verbraucherinitiative (Ed.) (2000) Fairer Handel. Mehr Gerechtigkeit im Handel mit der "Dritten Welt". Info n° 24 G 45195*

[41] *Rosery, M. (1996): Die International Labour Organisation ILO. In: Christliche Initiative Romero (Ed.) (1996): "Todschicke Kleidung. Zu welchem Preis?", pp. 32-35*

[42] *Scherer, B. (1999): Soziale Standards in der Textilbranche. Lecture on the 18th coordination meeting of the Cotton Working Group in Eschborn, 21.06.1999*

The Clean Clothes Campaign - a European example of world-wide social commitment

The Clean Clothes Campaign ("CCC") started in the Netherlands in 1990.
It aims to improve working conditions in the garment and sportswear industry. CCC tries to achieve this by raising consumer awareness, putting pressure on companies, exploring legal options, linking with organisations in countries where garments are produced and engaging in solidarity work.
The main demand of CCC is that retailers should guarantee to their customers that garments are produced in decent conditions, i.e. in accordance with the International Labour Organisation (ILO) conventions and international principles regarding fundamental rights in the workplace. These principles have been laid down in a model "Code of Labour Practices for the Apparel Industry Including Sportswear."
Today CCC is active in Austria, Belgium, France, Italy, The Netherlands, Spain, Switzerland, Sweden and the United Kingdom. The national organisations are broad coalitions of consumer organisations, trade unions, human and women's rights organisations, and others.
In many cases there are close relationships with the Fair Trade movement as e.g. in France or the French-speaking part of Belgium, where the CCC offices are located in the premises of well-known Fair Trade organisations.
For more information: www.cleanclothes.org

ILO now holds that its conventions and core standards are fundamental rights which are valid no matter what the economic situation.

Which input comes from trade unions, enterprises and non-governmental organisations?

Apart from the standards implied by laws of nation states, numerous privately organised initiatives have recently been established for the observance of social minimum standards. Trade unions and non-governmental organisations have become particularly active. Worldwide there has been a fall in the number of organised employee associations. This has led them, to become more open to the informal sector and work harder to involve women and young workers[43]. On the employers' side, a series of voluntary commitments have been made. Such codes of conduct are aimed at both the branch level and the enterprise level. These codes are supposed to guarantee existing international standards as a frame of reference and include clear and independent control mechanisms[44].

The companies' motivation in accepting such inspection is the need to be seen in a positive light by their customers, i.e. in their concern for a clean image. Company codes are seen as binding guidelines and may be challenged by consumers[45]. However, promises are not always

[43] *Scherer, B. (19999: Soziale Standards in der Textilbranche. Lecture on the 18th coordination meeting of the Cotton Working Group in Eschborn, 21.06.1999*

[44] *Scherer, B. (19999: Soziale Standards in der Textilbranche. Lecture on the 18th coordination meeting of the Cotton Working Group in Eschborn, 21.06.1999*

kept, as has been shown in the case of Levi Strauss and C & A and their sub-contractors. Therefore, a third group of activists, the non-governmental organisations, have got involved. They usually have concrete project experience and are familiar with the effects of practices which violate labour legislation. The multiplicity of campaigns with ecological, social or eco-social aims reflects the breadth of the debate on environmentally and socially sustainable textiles.

Social and environmentally friendly: convert!

A series of further campaigns and projects try to demonstrate and promote alternatives in the cotton and textile economy. One example which represents the world wide and multi-faceted commitment of different non-governmental organisations is the Pesticides Action Network Germany (PAN Germany). Since 1992, PAN Germany has been active at many levels in the cotton and textile field with its cotton project "Cotton Connection". PAN provides information about environmental and health problems caused by the massive use of pesticides in cotton cultivation and cooperates with organic cultivation projects in the South. The PAN Cotton Connection co-ordinates the Cotton Working Group, a federation of representatives from development and environmental groups, research institutes, church groups and traders in natural textiles. In cooperation with other PAN groups in England (PAN UK) and the USA (PANNA), PAN Germany issues an international list of organic cotton and cotton products (International Organic Cotton Directory) in order to provide greater transparency and to support organic cotton farming and the natural textile market.
To approach its goal of the ecologisation of the textile economy, within its "Conversion Initiative", the PAN Cotton Connection is cooperating with big consumers like hotels and conference centres, as well as church, state and private institutions, encouraging them to satisfy their demand for cotton textiles in an environmentally friendly and socially sustainable way. Acting locally, institutions can cause global change. Each textile - sheet, T-shirt or curtain - made of certified organic cotton from environmentally friendly production without exploitation of workers, contributes to the sustainable development of the whole textile chain.

[45] *Rosery, M. (1996): Verhaltenskodizes von Unternehmen. In: Christliche Initiative Romero (Ed.) (1996): "Todschicke Kleidung. Zu welchem Preis?", pp. 32-35*

List of abbreviations

ACP	Africa, the Caribbean and the Pacific
ACPC	Association of Coffee-Producing Countries
ATO	Alternative Trading Organisation
CAP	Common Agricultural Policy
DG	Directorate General
ECF	European Coffee Federation
EEC	European Economic Community
EFTA	European Fair Trade Association
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FCFA	Franc CFA
FINE	network of FLO, IFAT, NEWS! and EFTA
FLO	International Fair Trade Labelling Organisation
FSC	Forest Stewardship Council
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
ICA	International Coffee Agreement
ICCA	International Cocoa Agreement
ICO	International Coffee Organisation
ICCO	International Cocoa Organisation
IFAT	International Federation for Alternative Trade
IFOAM	International Federation of Organic Agricultural Movements
ILO	International Labour Organisation
IMF	International Monetary Fund
IRRI	International Rice Research Institute
ITTO	International Tropical Timber Organisation
ITTA	International Timber Agreement
LDC	Least Developed Country
MAI	Multilateral Agreement on Investments
MFA	Multi Fibre Arrangement
NAFTA	North Atlantic Free Trade Agreement
NEWS!	Network of European World Shops
NIC	Newly Industrialised Country
NGO	Non-Governmental Organisation
PAN	Pesticides Action Network
TNC	Trans-National Corporation
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
USDA	US Department of Agriculture
USPTO	United States Patent and Trademark Office
WHO	World Health Organisation
WTO	World Trade Organisation
WWF	World Wide Fund for Nature

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