



European Economic and Social Committee

REX/288
Fair Trade

Brussels, 20 January 2010

OPINION

of the

European Economic and Social Committee

on the

Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: Contributing to Sustainable Development: The role of Fair Trade and non-governmental trade-related sustainability assurance schemes

COM(2009) 215 final

Rapporteur: **Mr Adams**

Co-rapporteur: **Ms Sharma**

On 5 May 2009 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: Contributing to Sustainable Development: The Role of Fair Trade and non-governmental trade-related sustainability assurance schemes
COM(2009) 215 final.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 7 January 2010.

At its 459th plenary session, held on 20 and 21 January 2010 (meeting of 20 January 2010), the European Economic and Social Committee adopted the following opinion by 184 votes to 3 with 10 abstentions.

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1. **Conclusions and recommendations**

- 1.1 The EESC has, for many years, actively encouraged the wide-ranging initiatives on sustainable production developed by both the corporate and NGO sectors. The Committee therefore warmly welcomes the Commission's Communication which highlights and supports the increasing impact of consumer labelling schemes to enable consumer choice.
- 1.2 While agreeing that the dynamic and market-responsive nature of these consumer labels is encouraged by their voluntary nature it is recommended that resource and regulatory support is given to the development of the improved transparency, impact and credibility of such schemes and the capacity of producers to influence them and participate through certification. The ISEAL Alliance, the independent global association for social and environmental standards systems, offer a framework for schemes to work together to consolidate standard setting and objective analysis. The aim should be to harmonise approaches where they agree and ensure that the factors which distinguish them are communicated in a transparent way.
- 1.3 The Committee highlights the role that Fair Trade especially has played in stimulating practical consumer action on sustainable purchasing, with the building of civil society engagement in numerous forms. The further commitment by the Commission to support civil society organisations to develop consumer awareness and support for sustainability assurance

schemes in this area is welcome as it additionally provides capacity to generate civil solidarity and positive action. The direction of support towards Member States in which no such schemes have been developed could be particularly effective where civil society advocates of development and sustainability are active.

- 1.4 The growth in recent years of all forms of sustainable purchasing initiatives indicates that now is the time for the Commission to seriously consider how the underlying standards and processes can influence its engagement with the WTO, especially concerning international trade policy towards developing countries which gives greater emphasis to social and environmental factors¹.

2. **Introduction**

- 2.1 Often underlying the difference between Fair Trade and other labels are factors which go back to their origins. The Fair Trade label arose as a response to the perceived injustices to the poor in international trade and was fostered by the "progressive", solidarity and development-based movements largely originating in the 1970s. Its contemporary, the industry-driven corporate social responsibility movement (CRS) also introduced social and environmental standards to the supply chain and offered a mainstream approach for producers and consumers. Each influenced the other. For example, Fair Trade adopting minimum labour standards and CSR processes adopting the device of a consumer assurance label. Today, when climate change and resource consumption have become critical to the world's future, the consumer-facing aspects of all such guarantee or certification marks can be categorised as "sustainability" labelling.
- 2.2 In 2005 the Economic and Social Committee, at the request of the UK Presidency, published its Opinion on Ethical Trade and Consumer Assurance Schemes². It concluded that such voluntary schemes (usually taking the form of a certification or guarantee label) could make a significant contribution to sustainable development and to the direct engagement of consumers in a positive and empowering response to globalisation. This Opinion also explored the necessary requirements of such schemes to be effective, the adequacy of policy definition within the EU and the urgently required need for clarification and coordination. Finally, it argued for a framework which would give an intelligent basis for comparing consumer assurance schemes with other policy instruments aiming to achieve similar goals. The Committee recommended that this would provide EU institutions and Member States with a pointer towards policy coherence and a practical tool for assessing the investment of resources. The Committee is therefore particularly pleased to see these conclusions fully acknowledged in the present Communication and further developed.

¹ In this respect EU-Korea FTA (Free Trade Agreement), chapter on trade and sustainable development (chapter 13) should be noted.

² OJ C 28, 3.2.2006, p. 72-81.

- 2.3 During the intervening four years sales of products carrying such assurance marks have increased phenomenally, in the case of Fair Trade-marked products, for example, by 400% and sales of Utz Certified products by 365%. This is a continuing trend, apparently unaffected by recession. Leading international processors and manufacturers are converting entire brands and product categories to Fair Trade whilst retailers similarly are switching product lines comprehensively. Encouraged by consumer interest a number of sustainability-related guarantee marks have been launched or further developed. There are significant examples of these sustainability schemes making a comparable impact. This has raised questions about whether consumers are clear about differences between labels and the tangible benefits resulting to producers.
- 2.4 The EESC has maintained a strong and consistent interest in this subject. In its first Opinion on European Fair Trade Marking Movement, issued in 1996³, the Committee recommended three main points: that high quality international certification and verification systems should be established; that the process remain a voluntary one and that the Commission should support both fair trade producer organisations in developing countries and public education and awareness campaigns in Europe.
- 2.5 In October 2009 the Committee re-affirmed these views in its Opinion on Fair Trade Food products⁴ rapporteur Mr Coupeau. Although this Opinion follows closely on that of Mr Coupeau's it specifically addresses the Commission's Communication and contains a range of expanded recommendations consistent with the Committee's established position.

3. **Summary of the Commission's communication**

- 3.1 "Sustainable" labelling, in various forms, has become a part of the consumer landscape. Such labels enable consumers to support a range of sustainable development objectives. The Fair Trade label is specifically identified as one such label which concentrates on assessing and certifying: working and environmental conditions which meet or are above minimum international standards; supportive trading arrangements and; premium payments in some form to the benefit of producers in developing countries. This particular approach features strongly in the communication. Because of the potential for confusion by consumers the Commission provides an Annexe with its recognised definition of Fair Trade and distinguishes between other approaches⁵:

³ OJ C 204, 15.7.1996, p. 41.

⁴ OJ C 318, 23.12.2009, p. 29.

⁵ The Communication refers to the Fair Trade criteria as defined by the Fair Trade movement and recalled by the European Parliament Resolution on Fair Trade and development of 6 June 2006 (A6-0207/2006).

- 1) *Fair Trade proper;*
- 2) *other "niche" certified products not participating formally in Fair Trade but targeting consumers aware of sustainability issues (Rainforest Alliance, Utz Certified);*
- 3) *products covered by baseline standards that aspire to be "industry-wide" (e.g. Code for the Coffee Community (4C's); Ethical Tea Partnership);*
- 4) *the rest ("no name" commodity supplies).*

3.2 The Commission recognises that although there are a variety of consumer labels and indications any attempt by it to regulate these schemes could be counter-productive. Essentially they are voluntary, dynamic schemes which respond to trade and consumer demands and regulation could unnecessarily restrict further development.

3.3 However, consumers' confidence and awareness can be improved by clarity and transparency in the definition of schemes and independent monitoring is also an important requirement. Further analysis of the impact and benefit of schemes is suggested and expected, though the Commission again makes it clear that it has no intention of defining appropriate sustainability standards for these private schemes though it does suggest general principles. These are:

- *Maintaining the non-governmental nature of private schemes throughout the EU.*
- *Exploring the scope for possible synergies between schemes and enhancing clarity for the consumer and producers.*
- *Achieving a common understanding of reasonable basic process requirements.*
- *Establishing objective facts on the relative impacts of different private trade-related sustainability assurance schemes.*

3.4 The goal of some of these assurance schemes, development of poorer countries, is also a key objective of both WTO and EU trade policy. The communication suggests that private sustainability certification initiatives, providing they are transparent and non-discriminatory, can supplement trade liberalisation processes.

3.5 As 16% of EU GDP is spent by public authorities the communication deals with the basis on which sustainability requirements can be built into public procurement processes. It is pointed out that whilst requiring products to be certified by a particular labelling scheme runs counter to procurement regulation the inclusion of appropriate criteria relating to production processes is legitimate and licensing by a particular ethical label is one way of proving compliance⁶.

3.6 The Commission supported Fair Trade and other trade-related sustainability initiatives with over EUR 19 m of funding in 2007 and 2008, mostly in awareness-raising in the EU. The

⁶ This has also been illustrated by the decision of the European Commission of 29 October 2009 to send a formal request to the Netherlands concerning the award of a public contract for the supply and management of coffee machines by the Province of Noord-Holland. In the Commission's view, the tender procedure used by the Province of Noord-Holland did not meet the requirements of EU public procurement rules, thereby restricting competition.

intention is to offer further support, particularly on impact assessments and market transparency and to encourage Member States to do likewise.

4. **General comments**

- 4.1 The term "fair" or "fair trade" cannot be legally controlled, thus meaning that it is open to anyone to make less substantiated, or less beneficial, claims of fairness than the Fair Trade label. In such circumstances recognition of the underlying certification and assurance process by the consumer is essential. In practice it is noted that other non-governmental trade-related sustainability assurance schemes or sustainability company schemes avoid using the terms "fair" or "fair trade" to avoid confusion with Fair Trade.
- 4.2 Ten years have elapsed since the Commission's previous communication on this subject. In that time public interest has massively increased, encouraged by growing awareness of sustainability issues and a connected corporate trend to provide for some degree of ethical, social and environmental standards in their supply process. This is therefore a timely update on a market which was worth over EUR 2 billion in Europe in 2009 (Fair Trade label) and at least as much again from other "sustainability" labels. Nevertheless, in terms of European trade in imported goods from developing countries, this remains a relatively small proportion and it should be noted that in the Commission's Communication the term "niche", used to describe non-Fair Trade consumer labels should equally be applied to Fair Trade, which itself is a niche "sustainability" label.
- 4.3 In particular country and product markets sustainability labelling is, however, moving out of the niche. For example, in the Netherlands where according to the Dutch based NGO Tropical Commodities Coalition (TCC) 25% of the coffee consumed is "ethically" traded. It is therefore particularly important that consumer misapprehensions are dealt with.
- 4.4 It must be recognised that the use of the term "Fair Trade" (or "Good Origin" or similar terms in labelling) implies an **absolute** ethical value in the product when often the reality is an identifiable but marginal improvement. The pressure to simplify for consumer marketing purposes, rather than any intention to deliberately mislead, is usually the reason for such categorical statements but runs the risk of consumer disillusion if expectations are not met.
- 4.5 In the case of Fair Trade, a label is only one of the two complementary Fair Trade channels, together with the integrated supply chain route. The Communication does little to explore the far-reaching effects of the Fair Trade movement, its grassroots campaigns and political activities in the North and the producer-support activities in the South. Similarly, the Commission does not enter into the important contribution that for instance Utz Certified makes to food safety through its highly developed system of traceability nor to the positive impact of Rainforest Alliance certification on climate change mitigation through its emphasis on the preservation of the rainforest. It has to be recognized that the Commission cannot fully

explore such important additional impacts in this Communication without making it unwieldy. The Commission may wish to take up these topics in future policy papers.

- 4.6 Although the Commission portrays assurance schemes as a supplement to the WTO trade liberalisation process the Fair Trade movement rejects this viewpoint when applied to itself, preferring to regard its approach as an alternative trading partnership. Other sustainability assurance schemes would welcome a thorough analysis by WTO how the trade liberalisation process can foster sustainability, and prevent a situation where social, environmental and economic requirements associated with sustainability are erroneously considered to be obstacles to trade.

5. **Specific comments**

- 5.1 The Committee respects the position taken by the Commission in not seeking to regulate assurance schemes as EU regulation tends to reduce the aspirational and dynamic aspect in social and environmental labelling. However, a non-legal framework requires both probity of independent certification and the need for consumers to clearly understand what each independent assurance initiative is actually delivering. This suggests that all such schemes should be based on ISO65 accredited certification procedures.
- 5.2 It would be helpful to encourage the development of a common framework of standards where there is a clear overlap between the schemes, e.g. labour standards and pesticide use. There is also the need for rigorous impact assessment should take account of the significant differences in claimed outcomes, e.g. improving market access for small farmers in the case of Fair Trade or improving farm managerial practice in the case of UTZ Certified; the Fair Trade focus on empowerment of individual producer organisations or the Rainforest Alliance's focus on biodiversity.
- 5.3 Although the Commission is choosing not to set standards itself it is supporting a major study into comparative differences and benefits of the main schemes. Market transparency is recognised as an essential requirement underpinning marketing-focussed ethical assurance schemes and the EESC welcomes, in principle, the development of this project in establishing an internet portal to analyse and discuss such schemes. However, the key points that must be taken into account are how they perform in areas where they have common goals and how they offer specific benefits where they differ. It must be noted that the current presentation of the UNCTAD "portal"⁷ does not achieve these aims, ignoring the significant differences between the schemes and lacking the necessary clarity and rigour needed in such a reference facility.
- 5.4 It is suggested that support is given to the development of procedures underlying the transparency and credibility of sustainability labels and the capacity of producers to achieve

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<http://193.194.138.42/en/Sustainability-Claims-Portal/Discussion-Forum/Fair-Trade/Web-links/>.

certification and market access and to meet the challenges of organisation on which this depends. For example, resources could be made available to the ISEAL Alliance⁸ to take forward the work to harmonise schemes where appropriate and clarify the unique elements where not. ISEAL provides a multi-stakeholder organisation where the common aspects of various labelling schemes can be consolidated and where differences can be independently evaluated and explained.

- 5.5 In the current debates about Fair Trade and non-governmental trade-related sustainability assurance schemes the producer organisations from developing countries clearly have a vital role to play⁹ and their experience of various sustainability schemes needs to be taken more into account. The Committee believes that sustainability schemes and any assessment of their impact should have equal input from producer organisations that have experience with most of the leading initiatives.
- 5.6 The great majority of the total sales volume of Fair Trade and non-governmental trade-related sustainability assurance schemes in Europe are made within a minority of Member States. The Committee strongly recommends that priority is given by the Commission to the support and funding of civil society organisations in Member States where sustainability – related consumer awareness programmes are weak and where trusted civil society actors are able to take forward this work.
- 5.7 EU trade policy has, for some time, acknowledged the contribution of Fair Trade and recognised its potential in influence world trade policy. The Committee calls on the Commission to reflect the growing importance EU citizens are placing on sustainable and socially-beneficial trade to inform its engagement with the WTO on trade regulations.

Brussels, 20 January 2010

The President
of the
European Economic and Social Committee

Mario Sepi

⁸ ISEAL is the global association for social and environmental standards systems, whose Codes of Good Practice are international reference documents for such standards systems.

⁹ As is the case for the World Fair Trade Organization (WFTO) and Fairtrade Labelling Organisations International (FLO), which already include producer organisations from developing countries in their governance systems as well as for Rainforest Alliance (its International Standards Committee includes landowners, farmers, NGOs, community members, researchers, technicians and other stakeholders as members) and Utz Certified (its board includes representatives from coffee growers, coffee traders and roasters, and NGOs and its Code of Conduct has been evaluated and recognized by all stakeholders involved in the Utz Certified programme).