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“Fair Trade” and the European Union

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1. Abstract*

The European Union is known for being economically liberal. It means that the EU believes in a free market where goods, services and people can cross freely the borders. This is what are telling the treaties since the very beginning of the European communities construction (from 1951 onward). From the European Coal and Steel Community (1951/1952) and the free market of coal and steel to nowadays and the accomplishment of a whole process, free market economy has always been an objective to be achieved.

While the economic part of the European unification was going on, another economic construction was on its way as well. That was an economy where partnerships are based on dialogue, transparency and respect, which seeks greater equity in international trade. That contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers. That construction is the so-called „Fair Trade“ movement.

Between those two movements, which at first seem not to fit together, the main questions to be answered are as such: 1. Can we make any connections between them? 2. Are they any common goals and interests between them?, and 3. If yes, how it is expressed on the political and social fields?

Key words: *Trade, European Union, Fair Trade, Economy, North/South, Empowerment.*

1. „Fair Trade“ Movement Today

During its own history there were very different and many understandings and particularly definitions of the “Fair Trade”. We can summarize them and conclude that the “Fair Trade” is as an organized economic and social movement, but on the first place it is the market-based approach with the final task to help producers in developing countries of the World’s South, to contribute to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers in the South. More practically, this movement advocates the payment of a higher price to producers as well as social



and environmental standards. It focuses in particular on exports from developing countries to developed (western) ones by dealing mainly with handicrafts, coffee, cocoa, sugar, tea, bananas, honey, cotton, wine, fresh fruit, chocolate and flowers.

The „Fair Trade“ movement today has a global character as over a million small-scale producers and workers are organized in as many as 3 000 grassroots organizations and their umbrella structures covers over 50 countries in the southern part of the Globe. Their products are also sold in thousands of „Worldshops“ or „Fair Trade“ shops, supermarkets and many other sales-points in the northern portion of the World.

2. Short Historical Background of the „Fair Trade“ Movement

Nevertheless to the fact that the „Fair Trade“ movement exists almost for a half of the century the academic literature is still in no agreement upon the very beginning of the movement that is the unique World's trading and campaign movement between the Southern producers and the Northern buyers and consumers. However, for the matter of fact we can say that the „Fair Trade“ movement can, in one sense, trace its origins back to the development of the co-operative movement in the late 19th c. In the form in which we know this movement today it began with the Mennonite Central Committee trading with poor communities in the southern part of the Globe; that was in the 1940s. This action, however, began to expand and become a „movement“ only in the late 1960s and the early 1970s.

The earliest traces of „Fair Trade“ in Europe date from the late 1950s when Oxfam UK started to sell crafts made by Chinese refugees in Oxfam shops. In 1964 it created the first „Fair Trade“ Organization. Parallel initiatives were taking place in the Netherlands and in 1967 the importing organization - Fair Trade Original, was established. At the same time, Dutch third world groups began to sell cane sugar with the message “by buying cane sugar you give people in poor countries a place in the sun of prosperity”.



These groups went on to sell handicrafts from the South, and in 1969 the first “Third Worldshop” was opened. The Worldshops (or „Fair Trade“ shops as they are

called in other parts in the world) have played a crucial role in the „Fair Trade“ movement. They constitute not only points of sales but they are also very active in campaigning and awareness-raising. During the 1960s and the 1970s too, Non-Governmental Organizations (NGOs) and socially motivated individuals in many countries in Asia, Africa and Latin America perceived the need for fair marketing organizations which would provide advice, assistance and support to disadvantaged producers. Many, such Southern „Fair Trade“ Organizations, were established, and links were made with the new organizations in the North. These relationships were based on partnership, dialogue, transparency and respect. The goal of all of them is a greater equity in international trade.

The „Fair Trade“ movement has grown significantly from its beginnings but, unfortunately, still it remains relatively small in trading terms. However, despite this economic fact, the movement already attracted attention in the various kinds of academic literature from a wide range of disciplines including economics, marketing, design, agriculture, rural studies, development studies and even theology. However, the exposure within the business and management literature has been limited especially what concerns academic writings within the discipline of business ethics.

3. The European Union and the „Fair Trade“ Movement

The European Union's policy towards the „Fair Trade“ movement is traced back in the year 1994 when the European (Union) Commission prepared the “Memo on alternative trade” in which it declared its support for strengthening the „Fair Trade“ in the South and North and its intention to establish an European Commission's Working Group on the „Fair Trade“. At the same year, the European Parliament adopted the “Resolution on promoting fairness and solidarity in North- South trade” (14.2.1994) - a resolution voicing its support for the „Fair Trade“.



The further step occurred two years later when in 1996, the Economic and Social Committee of the European Commission adopted an “Opinion on the European ‚Fair Trade‘ marketing movement”. A year later, in 1997, the document was followed by a resolution adopted by the European Parliament, calling on the European Commission to support „Fair Trade“ banana operators. At the same year, the European Commission published a survey on “Attitudes of EU consumers to ‚Fair Trade‘ bananas”, concluding that „Fair Trade“ bananas would be commercially viable in several EU Member States. In 1998, the European Parliament adopted the “Resolution on ‚Fair Trade“” (20.07.1998), which was followed by the European Commission in 1999 that adopted the “Communication from the Commission to the Council on ‚Fair Trade“” (29.11.1999). In 2000, public institutions in European Union started purchasing „Fair Trade“ Certified coffee and tea. In 2004, the European Union adopted the “Agricultural Commodity Chains, Dependence and Poverty – A proposal for an EU Action Plan”, with a specific reference to the „Fair

Trade“ movement which has “been setting the trend for a more socio-economically responsible trade”. Finally, on July 6th, 2006, the European Parliament unanimously adopted a resolution on „Fair Trade“, recognizing the benefits achieved by the „Fair Trade“ movement, suggesting the development of an European Union's wide policy on the „Fair Trade“, defining at the same time and certain criteria that need to be fulfilled under „Fair Trade“ to protect it from abuse and finally calling for greater support within the European Union to „Fair Trade“ (European Parliament's resolution “Fair Trade‘ and development”, July 6th, 2006).

„Fair Trade“ contributes to the European Union’s commitments as laid down in Article 177 of the EU Treaty, which states that the European Union’s development policy will foster “the sustainable economic and social development of developing countries, and more particularly the most disadvantaged among them, - the smooth and gradual integration of the developing countries into the world economy, - the campaign against poverty in the developing countries.” „Fair Trade“



has been repeatedly recognized by the European institutions as a key tool for sustainable development and poverty reduction. An European policy framework and support for „Fair Trade“ are excellent tools to fulfil these commitments and to reach the so-called „Millennium Development Goals“. By signing the Cotonou Agreement in 2000, the European Union became committed to support the „Fair Trade“.

However, current support to the „Fair Trade“ and its different „Fair Trade“ organisations is limited and

fragmented. Recent research shows that „Fair Trade“ sales in Europe have been growing at an average 20% per year since 2000. The European Union's consumers are increasingly interested in purchasing products that were produced and traded under „Fair Trade“ conditions. Overall sales of „Fair Trade“ in Europe have arrived at 660 million Euros in 2005. Typical „Fair Trade“ products reach now considerable market shares in some European Union's countries. For instance, 20% of ground coffee in the United Kingdom and about 2% of all coffee sales in Austria, Denmark, Ireland, Belgium and Germany carry the „Fair Trade“ label. The „Fair Trade“ bananas reach market shares of up to 5.5% in Austria, Belgium, Finland and the United Kingdom. However, in some European Union's Member States like in Greece, Hungary, the Baltic States (Estonia, Latvia, Poland and Lithuania) and Slovenia, „Fair Trade“ is hardly known. With a coherent European Union's wide policy framework and sufficient support to „Fair Trade“ and „Fair Trade“ organisations, consumer awareness and demand for „Fair Trade“ could be boosted, particularly in those countries where it is not yet well established.

In some European Union's Member States, related legislation is currently being developed. An European Union's framework, sketched out in a recommendation, could be helpful to avoid that legislation differs between Member States and thus hinders the free movement of goods within the European Union. The „Fair Trade“ system is based on voluntary standards for labelled and non-labelled products and organisations. These standards have been developed over the last five decades by the international „Fair Trade“ movement. They are constantly being reviewed and assessed in cooperation with the producers who are at the heart of the „Fair Trade“ system. „Fair Trade“ organisations are responsible for fulfilling these standards and the related criteria. The compliance with the standards is regularly monitored and assessed. „Fair Trade“ organisations actively work with other companies such as retailers and other commercial partners.

In view of the success of „Fair Trade“ and the lack of legal protection, there is a risk that the concept may be abused by companies that enter the market without complying with the related criteria. Consumers' rights and appropriate product information are at the heart of „Fair Trade“ and low-criteria labels might mislead consumers and reduce their support to the system. An European Union's policy framework for „Fair Trade“ could help to clarify the use of the term „Fair Trade“ and to serve as a reference for national policies on „Fair Trade“ and „Fair Trade“ organisations. Beyond taking legislative acts, the European Union's institutions are drawing consequences, they link their words to their attitude. For instance, in 2004, the value of „Fair Trade“ goods purchased by the European Union's Parliament stood at around 39 000 euros.



4. The European Fair Trade Association – EFTA and The European Union

The EFTA - European „Fair Trade“ Association (not to be mixed with the EFTA – European Free Trade Association composed by Iceland, Switzerland, Norway and Lichtenstein) is an association of eleven „Fair Trade“ importers in nine European countries (Austria, Belgium, France, Germany, Italy, The Netherlands, Spain, Switzerland and the United Kingdom). Close relations between the EFTA and the EU can be seen if we know that eight of the EFTA's Member States are at the same time and the members of the European Union while only one (Switzerland) is not (but it is a member of the European Free Trade Association). The EFTA was established informally in 1987 by some of the oldest and largest „Fair Trade“ importers and very soon this European trade organisation gained formal status in 1990. The EFTA's headquarters is based in The Netherlands and has Dutch Articles of Association.

The aim of the EFTA is to support its member organizations and member states in their work and to encourage them to cooperate and coordinate their mutual policies. The EFTA's three basic actions are:

- it facilitates the exchange of information and networking;
- it creates conditions for labour division; and
- it identifies areas of coordination and cooperation such as joint projects, research and systems to facilitate „Fair Trading“ with suppliers.

Four EFTA members („Fair Trade“ Organisatie in The Netherlands, CTM in Italy, Oxfam Wereldwinkels in Belgium and IDEAS in Spain), have, together with EFTA, initiated a project that is called “Fair Procura”. The overall aim of the project is to encourage European institutions, national, regional and local authorities to increase their contribution to sustainable development through sustainable („Fair Trade“) purchasing policies and practice. More precisely, the specific objectives of the projects are:

- to raise awareness of European, national, regional and local authorities and public purchasers on the impact of public consumption on sustainable North/South relations;
- to secure a commitment from policy-makers to include „Fair Trade“/social criteria in public procurement legislation; and
- to strengthen the social dimension of sustainable purchasing practices among institutional buyers.

The project is co-financed by the European Commission (EuropeAid) and started in September 2004. It includes a background legal

research report, a training and a campaign kit for Fair Procura Animateurs, a Fair Procura and best practice brochure, national and European conferences and close cooperation with other networks involved in sustainable procurement such as for instance „Eurocities“.

The EFTA established an Advocacy Office in Brussels in 1995. The office supported EFTA members and other actors of the „Fair Trade“ movement in their advocacy and campaigns work and influenced the European Union's institutions towards making international rules on trade fairer. Over the course of the years, the office has achieved a lot. Various campaigns, e.g. on „Fair Trade“ in general, on coffee, chocolate, rice, have been executed.



To stress once again, from the EU's side, the European Union's Parliament adopted a resolutions on the „Fair Trade“ and the European Union's Commission adopted a Communication on the „Fair Trade“. The Cotonou agreement also mentions „Fair Trade“. The advocates of the movement would probably stress the fact that the „Fair Trade“ coffee is being served in the building of the European Union's Parliament!



5. The „Fair Tourism“ and The European Union

The practice of the so-called „Fair Tourism“ is based on the idea of implementation of the „Fair Trade“ principles to the services. The „Fair Tourism“ is essentially a part of the alternative ways of travelling with the visions

of „solidarity tourism“, „ecotourism“ or „sustainable tourism“. The „Fair Tourism“ is the way that is responding to the principles of the „Fair Trade“ as according to the country of the supplier, the travel agency will have to respond to a label, respecting „Fair Trade“ criterias. The „Fair Tourism“ is gathering activities of services, proposed by the travel agencies to responsible travellers, and developed by local communities. Those communities are mainly involved in the implementation of the activities and they are able to modify, reorient or stop them if and as they want. They manage as much as they can their activities in order not to use to much intermediaries who do not subscribe to the principles of the „Fair Tourism“.

These principles are:

- Different social, cultural and financial benefits of their activities have to be mainly distributed to the local community;
- The benefits have to be fairly shared between the actors;
- Both host and visitor should have respect human rights, culture and environment. It includes: safe working conditions and practices, protection of young workers, promoting gender equality, understanding and tolerance of socio-cultural norms, conservation of the environment, HIV/AIDS awareness, etc.
- The services delivered to tourists should be reliable and consistent;
- Basic safety and security should be provided and ensured by both the host and the visitor;
- Ownership of tourism businesses must be clearly defined;
- Employees and all other participants should be able to access information that concerns them like sharing of profits;
- Benefits and losses must be transparent.

However, the fact is that there is not yet a „Fair Tourism“ label that would cover a wider territory such as, for instance, *Max Havelaar* lable for the „Fair Trade“. On

the other hand, one label, the first, has been created in 2002 in South Africa. That is *Fair Trade in Tourism South Africa* (FTTSA). Since 2002, FTTSA has labelled 30 suppliers all over South Africa and expect to spread its model to the other countries. The second one appeared in the European Union and was created in 2007 in France: *ATR* (*Agir pour un Tourisme Responsable* or the *Association for a Responsible Tourism*).

The *Fair Trade in Tourism South Africa* is a non-profit company registered in South Africa that promotes sustainable and equitable tourism development. This is achieved primarily through awareness raising and the facilitation of a voluntary certification programme that awards a special Trademark or label to tourism enterprises that meet specific common criteria like mentioned above: fair wages and working conditions, fair operations and purchasing, fair distribution of benefits, ethical business practice and respect for human rights, culture and environment.

The *Association for a Responsible Tourism* is an association registered in France that promotes sustainable and equitable tourism development. This is achieved primarily through awareness raising to the society and the facilitation of a voluntary certification programme that awards a label to tourism companies or organisations that meet specific common criteria like in the South African case. The ATR has wanted a non-refutable label out of any suspicion. In order to achieve its objectives, the association has processing to get an official label, recognised by the French state and controlled by an independent audit office. The recognition of the label is done on March 16th, 2007. After the first year of implementation and work, three tourist companies have already been audited with success: *Atalante*, *Allibert* and *Chamina*, while the other companies are still auditing. It is expected that the number of labelled agencies should raise in the coming years.



Already involved in the „Fair Trade“, the European Union has naturally welcomed and the movement fighting for a „Fair Tourism“. Consequently, the European Union's Parliament has adopted on May 23rd, 2005 a Resolution by 368 MP votes in favour compared to 81 MP against and 17 MP abstentions. By this Resolution, the Parliament stated that tourism undeniably constitutes a driving force behind growth in developing countries at all levels.

The Parliament called for the promotion of locally controlled tourism initiatives aimed at poverty alleviation, the conservation of biodiversity and the promotion of human rights. It recommended that the European

Union's Commission stress the EU's tourism policies within its relationship with

the ACP (Africa, Caribbean and Pacific) countries. The ACP governments should examine policies designed to guarantee „planning gain“ benefits for the local communities where tourism projects will take a place. The Parliament insisted on the need to reinvest the profits of tourism in local development. It called on tour operators to review their „all-inclusive“ packages which prevent spin-off benefits to the local communities, and encourages these operators to source materials/staff locally as far as possible, including managerial staff. It also encouraged governments to promote the creation and/or development of public-private partnerships and to facilitate the setting-up of enterprises in the tourism sector. It has to be stressed that there are sustainable tourism-oriented projects financed under the European Development Fund (EDF).

The Parliament as well noted that in many developing countries the tourism sector is fundamentally a private-sector activity, and that the European Union must therefore find ways to ensure that the interested parties and other social partners



are fully involved in all discussions regarding development policy affecting the tourism sector. The Parliament advocates that criminal activity has to be combated with all transparency in order to discourage activities such as money laundering, sex tourism, etc. Such criminal activities should be combated in such a way as not to damage countries' tourist image. The Governments of developing countries must ensure the full involvement of local communities in tourist activities and to ensure the

fair sharing of the economic, social and cultural benefits generated. It called also on both the EU's Member State Governments and the EU's Commission, with the support of tour operators and experienced organisations, to act to promote ethical standards in tourism by introducing a certified European „Fair Trade Tourism“ label.

The EU's Parliament asked the Union and its Member States to make available to developing countries with tourist potential their experience and know-how with a view to the on-site training of the personnel. It considered that sustainable tourism income may contribute to improving the standard of living of the population in the developing countries and to public health, as well as to communications, energy and technology infrastructures. There should be the EU's financial support for the World Tourism Organization (WTO) initiative ST-EP („Sustainable Tourism-Eliminating Poverty“) and other initiatives that work towards alleviating poverty in developing countries. The EU's Parliament asked for

the Global Code of Ethics for Tourism to be incorporated by all countries into their national law. It also proposed to the Governments of the EU's Member States to circulate among themselves an annual list of visa refusals, to be confined to grounds of sex tourism offences, crimes against humanity or terrorism. The EU's Commission is asked to adopt effective programmes to combat sex tourism at the European level. The Parliament went further on to demand that the Governments of the countries concerned and the EU's tour operators enforce human rights standards, workers' rights in accordance with ILO (*International Labour Organization*) core labour standards, the protection of the European tourist-consumers and the recommendations concerning tour operators.

6. Conclusion

At the end, we can make a conclusion that today there are the real and functionable connections between the „Fair Trade“ and the European Union. From the „Memo on alternative trade“ prepared by the European Union's Commission in 1994 to the Resolution adopted in 2006, recognizing the benefits achieved by the „Fair Trade“ movement, an undeniable way in those relations has been made.

The process of cooperation between the „Fair Trade“ and „Fair Tourism“ movements on the one hand and the European Union on another is going on, the association between these two entities is just beginning but for sure can't stop now. Already strong alone, because it is coming from the base, the „Fair Trade“ movement has everything to win from that bilateral alliance but only under the conditions that the European Union will use all its weight in the coming years to undermine and spread the „Fair Trade“ firstly within the territory of the European Union, then all around the rest of the continental Europe, but also and the World.

If not for all other reasons then at least because, quoting Mr. Peter Mandelson - the European Union's Trade Commissioner in Brussels on the 22th of June 2006: „Fair Trade‘ reminds us that trade is about people, their livelihoods, their families sometimes their survival“.



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