

Opinion of the Economic and Social Committee on the 'European "fair trade" marking movement'

(96/C 204/14)

On 30 March 1995, the Economic and Social Committee, acting under the third paragraph of Rule 23 of its Rules of Procedure, decided to draw up an Opinion on the 'European "fair trade" marking movement'.

The Section for External Relations, Trade and Development Policy, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 15 April 1996. The Rapporteur was Mrs Davison.

At its 335th Plenary Session (meeting of 24 April), the Economic and Social Committee adopted the following Opinion by 86 votes for, 17 against and 19 abstentions.

1. Introduction

1.1. The Committee has long been interested in improving labour and environmental standards and economic conditions in developing countries. In its Opinion on the effects of the Uruguay Round Agreements 1994, it drew attention to a new marketing idea enabling business and consumers together to influence standards on plantations and estates. It said ⁽¹⁾: 'Voluntary European "fair trade" marks offer a supplementary route to raising ethical and social standards in developing countries. These marks offer consumers a guarantee that developing country workers who produced the marked goods received fairer wages and better conditions. Companies who operate such ethical standards and apply for fair trade marks are rewarded by the ensuing publicity and sales to interested consumers. The EU should fund these initiatives and help them to expand.'

1.2. The Committee has now examined the idea in further detail and has drawn up the following Opinion, which is addressed to the economic and social interest groups, national governments and the EU institutions.

2. Recommendations

2.1. In the field of commercial trade between the countries of the 'third world' and the European Union as well as the other industrial countries collectively, business and consumers do have an opportunity to encourage improvements in labour and environmental standards through the operation of a free market. Business can choose to sell and consumers can choose

to select products which are produced and traded in a way that ensures good employment standards and extra benefits to the producers.

2.2. The creation of such a market can make it commercially feasible for companies to develop special added value products which consumers recognize as generating additional benefits to 'third world' producers and strengthening their position in some way. Such products are commonly described as fair trade products, though this term is misleading in many European countries and alternative terms are used. The marks do not apply to trading conditions in Europe or imply that non-certified products are unfair nor do they support managed trade. The term 'treat fair' or 'fair treat' might be more appropriate.

2.3. In order to assure consumers that such products are indeed produced and traded in a way that ensures good employment standards in the third world and additional producer benefits, there is a need for independent certification. It is necessary that such certification covers both the supplier organization and the terms of trade. It should ensure that the benefits of the trade are shared with the primary producers and that the supplier meets independent standards for producer welfare, the environment and working conditions. The quality of marked agricultural produce also needs to be ensured.

2.4. It is important to maintain the voluntary nature of such labelling, both here and in developing countries. Traders, suppliers and consumers should decide for themselves whether to participate. The labelling does and should operate in a free market.

2.5. More information about the labelling system needs to reach consumers. Although the first step has to be taken by businesses in applying for the mark, success is dependent on consumers supporting marked goods with their purchases. For such schemes to succeed, they also need credibility with consumers, producers and

⁽¹⁾ ESC Opinion on the effects of the Uruguay Round, OJ No C 397, 31. 12. 1994.

traders. While initially the standards and procedures have been developed by the European fair trade marking initiatives themselves, there is progress towards internationalization which should be encouraged. Existing standards are based where possible on such existing internationally accepted references as ILO Conventions and on research and consultation with management and producer organizations in the third world countries involved so far. This process should become more formalized as the schemes become more established. International organizations such as the International Trade Centre, which is currently considering its future workload, could be one of the possible fora for such progress.

2.6. While there is an international dimension to standards it is important that their application reflects the priorities and expectations of individual countries. The various interests represented on the Committee can all have a role in this area, through their own organizations in the EU and via their international contacts. Chambers of Commerce, trade associations, labour unions and non-governmental organizations are involved and should play an active role. Sharing information like this will reduce costs and keep standards in the real world. Currently ensured through country-based research and by reference to local laws, this process could again usefully be formalized through the development of certification bodies. The ESC could offer a framework for collaboration on this question aimed at European 'best practices' operations. Such an endeavour is called for as national schemes may unintentionally introduce barriers to trade. The ESC already provides this function by furnishing the secretariat for the Consultation Forum at the European Level, in which these same societal groups play a role in the implementation of the EU Eco-labelling scheme.

2.7. There is a need to develop an authoritative system for developing and verifying standards and for accepting products, whose rules are open and accountable to society as a whole. An Ombudsman appeals system, in the case of any disputes over, for example, refusal of the mark, would be a useful addition. Companies need to be reassured that the scheme is fair

to them as well as to producers. Licence fees must be affordable and the approval system must treat companies equally.

2.8. The marking initiatives in Europe have different ways of ensuring their own accountability, reflecting the different legal and institutional environments in which they work. However, the development of European certification standards under EU45011⁽¹⁾ represents an opportunity to ensure that certification gains the credibility this gives. Further the movement's European forum intends to set up as a European Association once the Statute for European Associations is passed into law.

2.9. Other areas which need to be developed are public education and awareness-raising, development of internationally accepted standards and procedures and pilot assistance with the development of new sources especially among disadvantaged producers and especially including processed and manufactured goods.

3. Conclusion

3.1. The Committee welcomes the development of the labelling and wishes to assist its further development within the framework of the Single Market and fair competition. It also recommends that:

3.2. Civil Society should use a more appropriate term to describe fair trading activities, to ensure that the public understands that the intention is to improve the position and condition of the 'third world' workers who produce such products.

3.3. The Commission creates a separate budget heading to assist the funding of the development of this work for the medium term. In the long term the work should generate its own sustainable funding.

3.4. The Committee and its members play an important role in disseminating information on the idea and in encouraging harmonization.

⁽¹⁾ CEN standards for certification agencies.

Done at Brussels, 24 April 1996.

*The President
of the Economic and Social Committee*

Carlos FERRER

APPENDIX

1. Certification of fairly-sourced goods in the Member States

1.1. In 1988, the Max Havelaar certification mark was launched in the Netherlands. Certified coffee is now available in over 90 % of Dutch supermarkets and accounts for 2,75 % of the market with sales still rising. Several well-known brands of coffee now carry the Max Havelaar seal of approval in the Netherlands, which has enjoyed a consistently high media profile. Max Havelaar coffee has been adopted as the official beverage of both the Dutch and the European Parliament and it has been publicly endorsed by the Dutch Royal family. In its first years, the Max Havelaar mark generated about MECU 6 in extra payments to small-scale coffee farmers, mainly in Latin America.

1.2. A similar label, 'TransFair', was launched in supermarkets in January 1993 on coffee in Germany, the initiative of the European Fair Trade Association and other organizations. The Fair trade mark in the UK, launched in 1994, applies to coffees, teas and chocolate. Certified cocoa, honey and sugar, even cocoa-butter based cosmetics, are also available in various Member States.

1.3. Luxembourg has a trademark organization called TransFair Minka established in 1994 with one staff member. Max Havelaar and TransFair marked goods are available and certified coffee takes 1,4 % of the market. Italy has just introduced the TransFair trademark. Ireland's role is overseen by the Irish Fair Trade Network which cooperates with the UK Fairtrade Foundation. FTF labelled products are available in Ireland. Germany's labelling organization is TransFair Germany, which involves 32 social, religious and development organizations. TransFair coffee takes 2 % of the market but there is a tendency for business to introduce their own 'fair' product lines. France has one coffee licensee to Max Havelaar France. Denmark's Max Havelaar branch was set up in November 1994. Belgium has a well established branch of Max Havelaar with its marked coffee sales increasing by 10 % a year. Austria has a branch of TransFair, introduced in 1994. Market shares of labelled products differ per country and per product but where promotional work is reasonably well resourced they vary between one and five per cent and show steady growth.

1.4. The remaining EU Member States have yet to see certification of sourcing policies. Max Havelaar also exists in Switzerland and TransFair in Canada and Japan. The EU certification agencies meet together on a regular basis to align their standards and work towards a common mark.

2. Standard-setting and verification

2.1. The basic criteria of certification organizations cover benefits to the primary producers, minimum prices, advance payments and stability of contracts. The primary producers must participate in decisions on how to use the extra benefits from certification. Estate/plantation workers must receive above average wages for their locality, with progress towards equal pay and representation for women. Where they are resident in the plantation, basic housing standards must be met. There must be health and safety training and progress towards environmental targets.

2.2. Most tea is grown on estates, but the majority of coffee is grown by smallholders. For smallholders, a genuinely accountable producer cooperative, a 'fair' price, credit terms and a long-term trading commitment are required. Minimum prices are based on international data from, for example, the Coffee Agreement. They cover the cost of production plus a margin for investment in the future. Advance payment ensures that producers do not fall into debt before sales can be realized. Letters of intent regarding future orders are required to provide security.

2.3. The standards are not utopian, but do improve upon the prevailing conditions of the region. (As a detailed example, basic housing standards would include drinkable water within 10 metres of the houses and houses not leaking.)

2.4. There are two basic types of suppliers: employers and smallholder associations. In the case of association, the criteria are designed to ensure that the association is genuinely representative of the producers and that its members are mainly small independent growers. Employers (such as estates and plantations) are assessed according to their performance in meeting widely-recognized social standards, and their willingness to involve producer representatives in the use of any premium. The standards are based on the Recommendations and Conventions of the ILO, with the priorities set in consultation with labour organizations locally.

2.5. Certifying agencies undertake monitoring visits to each supplier in order to ensure that they continue to meet the standards required. Where international registers exist, this monitoring work is undertaken by one agency on behalf of the others. Similarly, quarterly reports from licensed companies, together with annual inspections of audited accounts, ensure that marked products have been bought from registered suppliers according to fair conditions.

3. Standards in practice

3.1. Third world farmers often suffer from fluctuations on the world market and from gluts in supply. Having been encouraged to grow cocoa, the Mayan farmers of Toledo in Southern Belize were badly let down when the price dropped so far that it was not even worthwhile harvesting their ripened crop. Farmers migrated from the villages in search of casual labour. Seeking the endorsement of the UK Fairtrade Foundation, a new company rescued the situation. It offered a better price, covering the cost of production and allowing for investment and a long term trading commitment. The farmers returned to their three acre plots and trebled their yields over two years. They can now send their children to secondary school, buy medicines and reach doctors when they need to.

3.2. The chocolate gained the Fairtrade mark and is now on sale in all major UK supermarket chains. Its sales channel ECU 19 000 a year directly into the hands of 150 peasant cocoa growers and, according to the company concerned, its chocolate sales have doubled due to the mark.

3.3. Similarly, the coffee producers' association in El Cacao in the Dominican Republic has a pharmacy and two doctors thanks to the Max Havelaar and its guaranteed minimum price. Many of the peasant farmers now send their children to school where before they could not afford to. Even so, many families still go hungry in the slack season when the coffee beans have been gathered.

3.4. Separately from Max Havelaar, a new project has been launched by the coffee producers' association, to use organic fertilizers to grow chinola and yams on small plots unsuitable for coffee and so provide income in the slack season. This could only be achieved with the safety net of Max Havelaar's reasonable coffee prices which have underpinned the investment. Producers are often short of initiative but lack the resources to invest in sustainable development.
