

Work Group on a Solidarity Socio-Economy – Alliance 21

International Regulations within the context of the Socio-economy of Solidarity in an era of neo-liberal globalization

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Global Fair Trade, an alternative to the liberal market

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Introduction : The Cancun mobilization and Fair Trade

I was asked to speak on WTO and Fair Trade at this meeting. This is a complex subject. Though I just came back from Cancun, I am not sure I fully understand WTO. This is because WTO discussions are separate from the reality of some socio-economic practices. Of course, WTO discussions failed in Cancun, but negotiations will continue in Geneva. And in the meantime, world trade continues to be unfair.

For the first time in Cancun, developing countries including some called “least advanced countries” have grouped themselves with a clear and firm position on the respect of principles of negotiations. This would probably not have been possible without the work and mobilization of civil society in the South and in the North, as governments of the South in the past tended to bow under the pressure of closed-room negotiations and of the liberal ideology which permeates the whole context of the negotiations.

Cancun was also the first time during a WTO Ministerial that Fair Trade organizations joined to exchange on their practices, hold a global products Fair and lobby on the negotiators. The Fair Trade Fair, the Sustainable Trade Symposium and the Fair Trade Forum of the Americas gathered dozens of activists and helped establish linkages and build up mobilization within the movement. Other civil society networks were at Cancun, and quite a few presented Fair Trade as an alternative to “WTO trade”.

What is this “Fair Trade”, and can it be an alternative to “Free Trade” as conceived by WTO and the neo-liberal ideology? I will try to show that, confronting the reality of international trade and power relations, fair trade is not just another liberal approach, but is really part of an alternative approach to neo-liberal globalization, and that it already operates, through initiatives that have been around for a few decades.

1. Two conceptions of trade

Free trade is not free nor fair

Fair Trade initiatives are born as a reaction to the unfairness of conventional international trade, whose rules and practices continue marginalizing small-scale producers and the populations of Southern nations. Free Trade is an

ideology which has a long trend record. First, we know that big companies use land, water and other natural resources as well as workforce without having to pay for its production and reproduction. And consumers are badly informed about the products they consume and their social and environmental consequences. So there is no real “free trade”.. Second, this ideology assumes that free trade will bring growth, and that growth will bring social progress and environmental protection.

In the real world, the type of trade that exists, which we call “conventional trade” or “mainstream trade” does often increase vulnerability and instability for the poorest groups in developing countries.. The case of commodity price is illustrative. Since its liberalization, coffee and cocoa have left thousands of third with prices that don’t even pay the work they invest in them, but given billions to transnational corporations such as Nestlé or Procter & Gamble. Even though small-scale producers often have production systems and methods much more respectful of biodiversity and, I would add, socio-economic diversity. We also know that mainstream trade is often destructive of the environment, causing greater poverty and weakening the opportunities of sustainable livelihoods for the poor.

The “rules of the game” and the reality of economic forces make it almost impossible for rural populations to earn the means for their own livelihoods, while continuing to give the services they provide to their countries : food sovereignty, reproduction of ecosystems and landscapes, etc. Commodity and crop prices tend to be unstable and low compared to industrial prices. This and other obstacles also impede the transformation of those products, and the development of an extensive agro-industry in those countries.

The problem with the World Trade Organization is not only that it puts trade and liberalization at the centre of the discussion, but also that it leads often casuistic discussions without taking into account some of the best practices, in matter of trade, investment, property rights, etc. These discussions are held as if the theory of “homo economicus” was a daily reality, while it isn’t, even for a variety of big companies.

This context will be useful in understanding how complex is to discuss the relationship between WTO and Fair Trade. On the one hand, we have a supposedly multi-lateral organization, with a set of abstract doctrines (non-differential treatment, most favoured nation clause, etc.). On the other hand, we have a set of practices, that try pragmatically to build up other type of trade relations, based on justice, equity and transparency. These relations are meant to benefit small-scale producers in developing countries. They are part of a general trend pushing consumers to be responsible regarding environmental and social impacts of trade, a trend that comprises such diverse practices as organic agriculture, social responsibility, and fair trade.

With the Doha negotiation cycle, WTO seemingly incorporates some of the current preoccupations of developing countries, and begins to analyze the relationship of trade with regards to environment. However, as the failure of the Cancun Ministerial clearly shows, the Doha cycle has been stamped the “development round” only for marketing purposes.

The objectives of Fair Trade initiatives

However negative international trade can be in general, we have to observe that **trade is almost as old as Humanity**, and seems to be indispensable to contemporary life. International exchanges have been going on since the Romans traded with China, and vice-versa. We should privilege local economies, but international trade is also necessary to exchange goods and services produced in different countries. Of course, contemporary globalization is of a different nature. What gives it its identity is neo-liberal ideology, and not trade in itself.

So, even though we don't want to make trade the centre of our lives, we should have a notion and practice of what are the best practices in trade. Fair Trade assumes that trade can reduce poverty and provide sustainable livelihoods to people in the South and in the North **if it is fair**, that is if it obeys certain **principles** : direct trade relations between small-scale producers and consumers, long term relations, and fair prices to the producers. It is rooted in the demand of countries from the South for fair prices, at least since the 1960's, at UNCTAD and other international meetings, but as a movement, it also goes beyond this issue.

The GATT, and later WTO, remained silent on these demands, so civil society networks were set up to give fair prices to producers in World Shops, and later (since the end of the 80's) even in supermarkets through a labelling system. These networks rely on the voluntary commitment of consumers and producers, and are based on the fixation of prices that allow producers to pay their production and living costs, while also giving them a premium, which allows them to engage development actions : training, education, health or local development.

According to the definition of Fair Trade agreed between the main networks of this 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, marginalized producers and workers – especially in the South.”** Rural producers, artisans as well as farmers, are the main partners of Fair Trade in the South. These practices have established relations between producers and consumers that are based on equity, partnership, trust and shared interest.

They respect precise criteria, and pursue objectives in two complementary directions:

- to obtain fairer conditions for groups of marginalized producers, and
- to change the practices and rules of international trade, by leading campaigns to sensitize consumers and governments on issues related to trade.

Examples of Fair Trade practices

During the last few decades, the Fair Trade movement has enjoyed a sustained development, starting from Northern Europe, but then in other countries. The World Shops and Fair Trade organizations in the North are also a source for campaign and lobbying on issues related to trade and development. World Shop have been doing this for around forty years.

Trading under fair conditions

The Fair Trade movements set up direct trade relationships between producers in the South and consumers in the North. Prices are set up according to production and living costs, very often by the producers themselves, being accepted by Fair Trade importers / buyers. Fair conditions are not only fair prices, they mean also better access to commercial information for the producers and long term relationships based on confidence. Those are prior conditions for equity. Fair Trade also tries to respond to other necessities of producers, such as credit, by prefinancing, and training, through development projects. A better coordination with “ethical” or “solidarity” finance would be a serious push for producers. Some initiatives are significant, such as Shared Interest, a cooperative lending society dedicated to investing in fair trade.

Fair Trade products are calculated to benefit to around 5 millions families in the South. In Europe, there are around 3000 Fair Trade shops. 18 countries, including 14 in Europe, 3 in North America and Mexico, as well as Japan, have Fair Trade labelling initiatives, mainly in commodity markets such as coffee, cocoa or tea, supporting hundred of thousands of farmers in the South.

Consumer education

Campaigns have been set up to sensitize citizens and consumers. The “Clean Clothes” campaign is a good example of a coordination between organizations in several countries (Europe) has given efficiency and created impact on consumers and governments. Slowly, citizens in the North realize what is being the products they consume. The Fair Trade movement also informs directly in world shops and other outlets. In some countries it works with school, or with parishes.

Countries from the South should be concerned also by this issue. In India, Brasil and other countries, civil society resists GMOs and there is a significant movement towards organic farming. National Fair Trade initiatives are being set up in Mexico, Brazil, and other countries.

Political pressure

The Fair Trade has been lobbying governments and regional bodies through broad coordination. The European Fair Trade Association has an advocacy body in Brusells. The International Federation of Alternative Trade also has an advocacy structure, and was vocal before and after Cancun. Political pressure also starts at local level. Pressuring for responsible public procurement is a good way to express the political content of Fair Trade and citizen – consumer responsibility. The first results of this political pressure can be seen in statements and practices adopted by certain city councils (Newcastle,...) and parliaments. The European Commission adopted a communication of Fair Trade in a communication in 1999, and it is mentioned within the Cotonou agreements, which are the framework for the relations between Europe and countries from Africa, Pacific and the Caribbean.

2. WTO and Fair Trade : a political debate

WTO viewed by Fair Trade

It is well known that the WTO views all trade as beneficial. Since its beginning, the Fair Trade movement has campaigned against GATT rules and lobbied for better prices for commodities. As IFAT's position paper for Cancun puts it "Fair Trade has shown that trade can reduce poverty, but only under certain conditions. Most companies continue to ignore their impacts." In the absence of social and environmental rules framing trade, world trade can continue to impact negatively on societies and the environment worldwide.

The Doha Development Agenda pays mouth lip service to development. And European Commissioner for Trade Pascal Lamy supports a hollow concept of Sustainable Trade forward, as he pushes developing countries to open their markets even more. But "the characteristics needed to make trade sustainable is absent from the Doha Development Agenda. In consequence the WTO is pursuing an approach which risks marginalising poor people even further."

Fair Trade isn't against any multilateral negotiations on trade. The problem with WTO is that the only reality it acknowledges is trade. This allows the majority of businesses "to continue (...) to violate standards set out in the UN Universal Declaration on Human Rights and the International Labour Organisation's Core Conventions, despite the fact that these internationally agreed standards have been enacted into national legislation of many Member States of the WTO.", as Michael Gidney from IFAT puts it.

Trade as just one item of regulation

International regulations are not only trade regulations. The international community has a set of tools, still in development, regarding the environment (endangered species, climatic change, etc.), labor standards (International Labor Organization), Economic, Social and Cultural Rights (United Nations), as well as an emerging International Criminal Court. Negotiations on Sustainable Development have advanced slowly and with difficulty, but according to the general definition of the notion, **sustainable development** seeks a balance between the environment, the economy and society (which in its turn involves complex issues as : culture, political structures, etc.).

Nations should have the right to set up principles regulating trade at national and regional levels. WTO negotiations tend to marginalize governments and undermine national sovereignty. Bilateral bargaining and closed-negotiations (the famous "green rooms") tend to favour countries from the North. This means that national governments can be more reluctant to deal with the incidences of non-compliance with internationally agreed codes and standards by private companies. However, it is the role of states and governments and political bodies in general to build frameworks for living together, including the respect of principles like **food sovereignty and security** and **the right to sustainable livelihoods** (the same that have been declared at the United Nations).

WTO limits the right of nations to defend such sensitive and important markets for the population, as are agricultural markets. They constrict the right to build regional agreements by very strict principles, that state that does should not be “trade diverting” and that obligations between signing parts should be as strict as WTO obligations are. This is an important issue, because the number of trade regional agreements has risen a lot since 1990, and many countries from the South are involved in those agreements (Mercosur, ASEAN).

In 1992, before NAFTA was implement between Canada, the United States and Mexico, several farmers organizations from the two latter countries have signed an “alternative fair trade agreement”.. In Latin America, the Alianza Social Continental talks about “social integration” instead of just “economic integration” (the FTAA). Fair Trade could be more involved in regional integration, and campaign for “regional fair trade agreements.”

3. Strategies - Proposals

Challenges - Participating to or transforming the global economy ?

Challenges regarding trade are pressing. We can notice a strong and swift expansion of liberal ideology and norms, with its consequence on the privatization of life and common goods, such as water, for instance. This ideology even permeates governments of the South and development NGOs.

Governments from the South are reluctant to talk about social and environmental conditions in multilateral negotiations, viewing all discussions of this type as a possible market barrier from the North. Part of the Fair Trade movement (FLO, Oxfam UK) has stepped out of this discussion, lobbying mainly for a greater market for products from the South, with the illusion that this would be enough to product development.

The same occurred with the cotton initiative led by a group of West-African countries. Even though the argument is logical, it shows that the need for another type of regulation is not clear. The Oxfam UK campaign (Make Trade Fair) has been justly criticized because it focuses only on the issue of market access.

The Fair Trade movement itself hesitates in the definition of priorities. Do its practices aim only at inserting small producers in the global economy, or also at transforming the global economy itself ? One part of the movement insists on market access for products from the South, mainly tropical primary products. But, as Peter Rosset director of Food First observes, 90% of the food produced worldwide is consumed domestically. Do we want a model for only 10% of the world farmers? Another part of the movement sets as a priority the transformation of existing regulations, by the example of other types of socio-economic exchanges. It is necessary for the movement to make alliances with other networks of the growing movement that looks for alternative to liberal globalization in order to build coherent initiatives incorporating fair trade principles as part of their criteria.

Fair Trade as a model for alternative regulations

In its practices, Fair Trade takes into account social, economic, cultural and environmental dimensions. It can thus be seen as an alternative to a liberal regulation of the economy. It is a way to guarantee that economic exchanges comply with human rights, not just civil and political rights, but labor, social and environmental rights, as well as emerging rights, such as food sovereignty. An alliance with the movements that oppose neo-liberal globalization would allow to discuss the contents of those regulations, and defend them at local, national, regional and international levels.

Strategies – Common tasks

We need to develop alliances between producers and consumer, i.e. Fair Trade relations in the South and in North, at local, national, regional and international levels. We are all producers and consumers. It is necessary to build a momentum force capable of undermining the power of transnational corporations in food, distribution and other sectors. At the same time continue and extent campaigns pressuring those corporations and asking for their accountability concerning social and environmental conditions of their production.

The notion of food sovereignty is emerging as a global legitimate demand of farmers movements and people worldwide. The Fair Trade movement, by specifying its position on crops and commodities, can join force with them. Pressure should be built to have it adopted by international institutions, such as the UN (within the Covenant on Economic, Social and Cultural Rights) and recognized by WTO and other multilateral institutions.

Another issue we have to address is the access of information to governments and civil society, especially in the South, but also in the North. NGOs have showed they could play a role there. But research centres could be mobilized. Let's stress out that it is also a right to know and understand what you are negotiating on. As the G20+ has shown, you are in the right to stop negotiating when principles and information are not clear.

“Our World is Not for Sale”, a broad collation including Food First, Friends of the Earth, Focus on the Global South, the Third World Network has been very active in Cancun. The expertise of certain NGOs has been very useful for governments to understand issues underlying issues. Some Fair Trade organizations have taken part into this movement, however most have just started to step out of their “apolitical” attitude. Now is the moment to build stronger linkages.

At international level

A transforming objective implies viewing WTO principles and the ideology that sustains it with a critical eye, and defending broader principles, most of which are already included in international agreements. Trade rules should take into account other international agreements, such as labour standards, and the International Covenant on Economic, Social and Cultural Rights integrate the notion of sustainable development, and respect environment agreements.

The UN Committee on Economic, Social and Cultural Rights asked at the Third Ministerial Conference of WTO (Seattle, 30 November to 3 December 1999) on Nov. 26, 1999 that “WTO undertake a review of the full range of international trade and investment policies and rules in order to ensure that these are consistent with existing treaties, legislation and policies designed to protect and promote all human rights.” This would mean putting WTO at its place, and radically reforming its procedures of negotiation and decision making, as well as its principles and ideology.

As IFAT puts it “Fair Trade organisations comply with a rigorous set of voluntary standards and are committed to a rules-based trading system. Yet it is a fact that the majority of businesses continue to violate standards set out in the UN Universal Declaration on Human Rights and the International Labour Organisation’s Core Conventions, despite the fact that these internationally agreed standards have been enacted into national legislation of many Member States of the WTO.”

WTO is one of the only international regulating body that can decide coercive measures regarding states that don’t comply its rules. For the time being, the measures taken by a country are judged according to the supposed commercial distortions generated, whereas nothing is said of the distortions led by arrangements adopted by the WTO on the socioeconomic and environmental development of a country, and the social, economic, cultural and environmental rights of its people.

The World Bank and the International Monetary Fund also pressure developing and developed countries to adopt their rules, without regarding social and environmental consequences. They should also be pressured to comply with social, economic, cultural and environmental rights of people.

Conclusion

In short, Fair Trade and social movements striving for “another globalization” (based on solidarity for instance), by acting together, can contribute to build a global framework, where the WTO wouldn’t be an institution with more power than other multilateral institutions, and where the relationships between human rights (civil, political, economic, social, cultural), environmental right and the right to trade would be clearly defined and commonly accepted.

These proposals would be the basis and precondition for a serious and respectful work between all countries and stakeholders (governments, companies, SMEs, unions, producers and consumers) on trade issues. The focus of negotiations on trade, within or without WTO, would then be dramatically changed. Trade would probably be seen as just a part of life, and not as an aim in itself. The Fair Trade movement can be a valuable reference and illustration of how this can occur.

I hope this meeting can be a useful opportunity to discuss how we can build stronger relationships, and a common framework for discussion, proposals and action. Of course, discussion within a multilateral environment, be it institutional or not, makes things particularly difficult. Numerous reasons for incomprehension are there : differences in languages, in contexts, or in cultures. But I have found that, often, the most difficult communication barriers are not due to language or nationality, but to the different perspectives of actors. Governments and their people don’t always think alike, NGOs and farmers or producers either.

Broader communication, mutual respect and listening will be necessary to move forward. The Fair Trade movement faces this specific challenge to gain a better balance between producers, consumers and NGOs. But it is determined to move forward in an open spirit and to make alliance with convergent forces, for a globalization of solidarity.