



# FAIR TRADE RULES!

Position of the global Fair Trade movement  
towards the 6<sup>th</sup> WTO Ministerial Conference in Hong Kong

**October 2005**

*We, members of the international Fair Trade movement<sup>1</sup>, know from experience that trade can reduce poverty and contribute to sustainable development. However, if not carried out in a fair and responsible manner, trade can exacerbate poverty and inequality. For the Doha Development Round to live up to its promises and really achieve development, the needs of Southern small and marginalised producers and their communities must be put at the heart of trade negotiations.*

## **What is Fair Trade?**

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 actively engaged in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.

For over 40 years now, Fair Trade has been hugely successful in making trade work for development. In its practices, Fair Trade takes into account social, economic, cultural and environmental dimensions through a rigorous set of voluntary standards. Over 4,000 small-scale and marginalised producer groups and hundreds of thousands of workers on plantations and in factories in more than 50 developing countries participate in Fair Trade supply chains. More than five million people in Africa, Latin America and Asia benefit from Fair Trade terms.

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<sup>1</sup> Members of the four international Fair Trade Associations: FLO-I (Fair Trade Labelling Organizations International), IFAT (International Fair Trade Association), NEWS! (Network of European Worldshops) and EFTA (European Fair Trade Association).



## What is wrong with the WTO?

Trade liberalisation as pursued by the WTO increasingly prevents states from regulating and controlling their economies. While some, primarily stronger and bigger players, benefit from this “one-size-fits-all” approach, it has provoked a downward spiral of social and ecological dumping across the world. Many producers in the Fair Trade movement know at first hand how damaging forced liberalisation has been to their livelihoods.

History shows that no national economy ever developed via trade alone. No developed country achieved economic wealth without strong internal markets and multiple economic linkages between domestic industrial production and agricultural and other primary production. These linkages were fostered by broad land distribution, state economic interventions and policies to manage trade and to protect domestic production and markets.

It is essential for emerging economies that their infant industries have a protected environment in which they can grow. Only when they have started to become robust, should small economies be faced with the fierce competition of international trade – and only then if liberalisation fits within their national development plans. In this process, small and medium-sized enterprises (SMEs) are of vital importance. In most developing countries small-scale enterprises are the backbone of the economy, employing the majority of the working population. It is essential that international trade policy supports the growth of the SME sector in developing countries, and does not undermine it through forced liberalisation.

A key principle in trade policy – currently missing from the WTO – is that every country should have the right to food security and sovereignty, and should be entitled to protect strategic sectors in its economy. The Fair Trade movement further believes that rich countries have a moral obligation to stop all forms of trade-distorting subsidy and dumping on world markets, as the impact of these practices on the poorest has been devastating.

Members of the WTO committed to make the Doha Round of trade talks a “development round”. For this to happen the WTO talks must change course and put the needs and interests of small and marginalised producers at the heart of the negotiations. Change is only possible if the WTO agenda allows sufficient policy space to analyse the concerns of the weakest parties, and if poor countries can retain the right to protect vital sectors of their economies, for as long as they deem appropriate. Trade agreements and provisions should be subordinated to internationally agreed political, environmental, cultural and social rights. If trade is to contribute to achieving sustainable development, the social and environmental conditions of production must be taken into account.



## Agriculture

Agriculture remains the biggest economic sector in developing countries, employing almost 75% of the population and accounting for about half of the Gross Domestic Product (GDP). Although most of the food production is still consumed locally, trade liberalisation policies have taken increasing precedence over domestic agriculture policies, restricting the ability for governments to develop policies geared towards rural development and food sovereignty.

Rich countries continue to protect and heavily subsidise their agricultural sector, dumping their surpluses on world markets. These policies contribute to oversupply and low prices, throwing millions of small-scale farmers and their families into poverty and undermining food security in many poor countries.

We believe that WTO provisions on agriculture should recognise the right of every country to food sovereignty, through appropriate local, national and regional policies.

### ***Therefore, we urge WTO members to:***

- Agree on a definite end date for the elimination of all kinds of export support on agricultural products
- Come to a decision that will re-orient domestic support to sustaining family farming, rural development and small-scale producers
- Decide on meaningful modalities for Special Products and a Special Safeguard Mechanism for developing countries to guard against import surges
- Commit to eliminate tariff escalation mechanisms

## Commodities

Trade liberalisation and structural adjustment policies have contributed to over-supply in most agricultural commodities. The result has been a sharp decline in prices paid to the farmers, who are often forced to sell their crops below the cost of production.

The Common Fund for Commodities estimates that between 1 billion and 2.5 billion small farmers worldwide depend for a large portion of their income on the export of commodities. Production of crops such as coffee, cocoa and sugarcane is often undertaken by small farmers who live at subsistence levels



and have little means to invest in other products or to diversify. In many cases farmers now receive a fraction of the prices they received in the seventies.

This structural commodity crisis is one of the most important challenges developing countries are facing. Still, this issue has been sidelined in the current WTO negotiations.

***Therefore, we urge WTO members to:***

- Work with UNCTAD and other international bodies to address the commodity emergency and search for a global solution in favour of small and marginalised producers in developing countries
- Recognise the need for global supply management – as it is successfully experienced by the Fair Trade movement – and support the conclusion of international agreements between producing and consuming countries with the priority to guarantee high and stable prices to the producers
- Support the creation of an International Fund for Agricultural Diversification in order to help small farmers in reducing their dependency on agricultural commodities

## **Non-Agricultural Market Access**

Many developing countries require higher tariffs to protect their small and infant industries. These important safeguards are threatened by the aggressive liberalisation agenda proposed by rich countries in the current negotiations on Non-Agricultural Market Access (NAMA). Furthermore, the tariff reductions resulting from the negotiations will sharply reduce government revenue in developing countries, and this in turn will make it more difficult for poor countries to fund public services. In view of this, NAMA negotiations are undermining progress towards the achievement of the UN Millennium Development Goals.

Tariff escalation (i.e. a mechanism of lower duties on imports of raw materials and higher duties on finished products) prevents small-scale producers from adding more value in-country, and constitutes a real barrier to sustainable development. With the development of Fair Trade into higher value-added sectors such as textiles, leather, footwear and jewellery, the number of Fair Trade producers affected by the NAMA negotiations is growing.



***Therefore, we urge WTO members to:***

- Allow the principle of “non-reciprocity” for developing countries
- Come to an agreement that does not restrict developing countries’ ability to determine their tariff commitments
- Assess the impact of preference erosion for developing countries currently benefiting from agreements such as the Cotonou Agreement and the Africa Growth and Opportunity Act before any changes to preferential regimes are implemented
- Commit to eliminate tariff escalation mechanisms

## **Special and Differential Treatment**

Trade agreements must take into account the specific development needs of every country. Special and Differential Treatment (SDT) is intended to be one of the main tools within the WTO for this. SDT is crucial to give developing countries sufficient means to adapt to the fiercely competitive environment of international trade. We deplore the lack of progress on SDT negotiations. Serious attention to the demands of developing countries for a review and implementation of already agreed SDT measures should be a priority in the run-up to the Hong Kong Ministerial.

***Therefore we urge WTO members to:***

- Live up to the promises of the Doha Round and give SDT negotiations highest priority
- Stop all efforts to divide developing countries into subcategories against their will

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