

A NEW ASPECT OF EU'S SOFT POWER: HOW THE EU CAN HELP SUPPORT FAIR TRADE

Franco Praussello
University of Genova

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Introductory remarks

The European Union (EU) as a whole has the ambition to act as a global player in the world stage towards both advanced and Developing Countries (DCs). Whatever its juridical essence, a *sui generis* state in progress, simply a group of national states or an empire (Barroso *dixit*), in doing so the EU looks after its own interests, as it is the case for every international institution, but concerning in particular DCs its behaviour is motivated by the goal to export its pattern of soft power: its peculiar system to obtain politically relevant results by means of economic pressures and incentives. Such a behaviour in the international arena constitutes in a sense an external projection of the European model of development linking economic competitiveness and social justice, or in broader terms of the European way of managing public affairs, considered possibly more even-handed compared with other more muscular international stances by powers such as the US or the reconstructed Russian Federation.

All this should explain the special interest showed for long by it for the Fair Trade issue, not in its simple meaning of fair trade, or a synonym of a *laissez-faire* international goods and services exchange, as it happens for a lot of global institutional rhetoric, but in its more general sense of an equitable form of international trade where prices and production systems are determined on the basis of sustainable development principles both from the social and environmental standpoints. In view of offsetting unbalanced economic relationships between countries at different stages of development, such a wider kind of fair trade had to be sustained by differential treatment taking into account DCs needs and conditions.

This paper aims at assessing a number of policies and means employed so far by the EU to foster fair trade in its more general significance, exploring at the same time ways in which further experiences in this field could be nurtured. Its structure is as follows. After a second section in which I describe the wider context of UN policies in which the EU initiatives in favour of a less unbalanced globalisation take place, a concise theoretical analysis of fairness in trade follows with

an emphasis on some recent explanations that have been put forth on the subject. Sections 4 and 5 are devoted to an investigation on fresh developments in fair trade practices and the current situation of them within the EU, respectively. In section 6 several proposals for enhancing the EU policies in the sector are presented, whereas the last one contains some final remarks.

The UN Agenda on Fair Globalisation

The widest framework in which the relationship between the EU and the DCs is cast pertains to the United Nations' (UN) level, where the latter and its member countries are active co-players. Indeed, in principle, the EU as a whole shares both practices and commitments of the UN system and as a matter of consequence has a moral and sometimes a political duty to take into account developments arising in such a system. In addition, as far as its policies towards DCs are concerned, it can be maintained that they are possibly more generous than the UN's in many fields and granted for sure that when its practices fall short of the UN or more pertinently of the WTO recommendations, as in the case of the agriculture trade, they are not worse than those carried out by other big players in the world trade setting, such as the US.

Under these circumstances principles laid down in a recent International Labour Office (ILO) document by the World Commission on the Social Dimension of Globalization (2004) on ways to make globalisation a positive force for all people and countries, and not merely for the richest ones, have to be considered as broad guidelines to which the EU's external trade stance had to be inspired.

Among such principles, the commission led by two serving heads of state and composed by prominent politicians and scholars amongst whom Joseph Stiglitz and Hernando de Soto deserve special mention, lists a number of items focusing on our topic: sustainable development in its meaning of social and environmental progress, productive and equitable markets within a functioning market economy, fair rules offering equitable opportunity in terms of diverse developmental

needs, globalisation with solidarity implying assistance to people and countries damaged by it.

Indeed, growing interdependence in economic, social and political relations among countries at a worldwide level is found to offer great opportunities in terms of unprecedented material progress, but in the absence of a good governance produces global imbalances both between and within countries. All this translates into unfair rules on trade and finance along with their asymmetric outcomes for advanced and developing countries. Hence the need to fill the resulting severe democratic deficit acting above all in a home country context ("people live locally within nations"), but also through international cooperation not least by strengthening regional and sub-regional integration. Even though in my opinion international cooperation is not enough for encompassing the huge grounds and consequences of globalisation, but an efficient and equitable governance of the latter requires forms of world government, we can accept the commission's advice for reinforcing international integration, provided the relevant level goes well beyond the regional or sub-regional dimensions reaching that of the very global stage.

In any case we can agree to reforms it advocates for putting into practice the general principles inspiring its document, which focus on the need to ensure the respect of core labour standards with the aim to make decent work for all a global goal through coherent policies within the multilateral system. Fair rules for trade, capital flows and international migration safeguarding the interests of DCs in general but particularly of those of them belonging to the group of Least Developed Countries, by means of special measures nurturing their export potential, can be considered as broad guidelines for external policies of the EU too.

Against this general background, the European Commission takes up as its own the principles at the basis of the document produced by the World Commission on the Social Dimension of Globalization

(2004), recognising at the same time that the goal of extending the benefits of the latter to all represents a serious challenge to both the EU and its member countries (Commission of the European Communities, 2004). However its official position is that the EU as a whole has long followed policies that are able to ensure that economic and social progress go parallel, and this both at home and in its relations with third countries. Reference to its internal dimension is made owing to the Lisbon strategy, which could allegedly marry economic efficiency with social progress and environmental sustainability. Since such a kind of policy cannot easily be extended internationally, the EU tries to inform its external actions to the need of achieving a balance between economic and social goals. In doing so, it follows a number of proposals contained in the document published by the ILO. From this point of view the EU Commission highlights, I believe with good reasons, the emphasis put by the EU as a rule on the presence of solid institutional tools for strengthening not only economic efficiency but also social and environmental achievements through investment in human capital and quality of employment as well as well-built civil and social dialogue.

As far as EU external policies are concerned, it is maintained that they have been always motivated by the principle to maximise the benefits and to minimise the costs of globalisation in all its partner countries and regions, promoting namely a socially friendly stance by international institutions, also with the contribution of the private sector. As a proof of such a statement the EU commission quotes the fact that most of its agreements thus far concluded with single countries and regional groupings incorporate also a social chapter, as it is shown for instance in the cases, among others, of ACP negotiations following the Cotonou accord, relationships with Latin America and the recent European neighbouring policy, covering employment, structural and administrative reforms and social measures.

Nevertheless it is also admitted that in comparison with the present state of affairs better achievements

could be reached by a number of proposals it sets forth, concerning in particular increased efforts to achieve the Millennium development goals, a more open attitude towards the DCs interests within the Doha development negotiations, alongside improved coordination among its institutions and those of the UN system. Commenting on this point we could argue that notwithstanding its good intentions, there exists surely a gap between the latter and its actions on the outward stage, not least in the case of the not yet concluded Doha bargaining.

Having levelled some doubts about the degree of compliance of the EU's behaviour with its alleged intentions, a more detailed look at its way of implementing the principles of a sustainable globalisation from both the social and environmental standpoints, which are nominally accepted, allows to put in perspective the results so far attained by its policies in different sectors of the fair globalisation agenda.

As to the link between trade and social conditions it is true that, as stressed by the Commissioner Peter Mandelson (2006) at last year's EU Decent work conference in Brussels, trade fosters growth and the latter gives origin to jobs, across both the developed and the developing world, but the quality of the resulting employment matters. What is needed is not simply a larger amount of jobs, but better jobs, and this can be achieved only by more labour friendly development policies. From this point of view the EU has a good record in sustaining the UN decent work agenda, launched in 2000 by the ILO. Decent work means gender blind employment acquired in conditions of freedom, equity, security and human dignity, respecting in particular ILO core labour standards.

The EU, by acknowledging the need to preserve the DCs comparative advantages and being aware that the tool of core labour standards respect, notably banning child labour, could be devised by some developed countries as a protection instrument for restricting market access, has founded its policies in this field on a voluntary incentive-based approach. That is why in

its new Generalised System of Preferences Plus (or GSP+) it has granted additional tariff reductions to countries having ratified the main UN and ILO conventions on labour and human rights. At the same time it has included the core labour standards requirements in negotiations with its developing partners, as in the case of the new economic partnership agreements with ACP countries, due to replace the Cotonou accord. In addition it has initiated a pilot project to develop decent work indicators in countries such as Uganda and the Philippines, extending also the scope of its social development sustainability impact assessment of bilateral negotiations.

However, in a small number of instances the EU has abandoned the carrot, in favour of the stick. For countries systematically flouting core labour standard it is ready to endorse sanctions as it is shown by the recent Commission proposal to withdraw GPS benefits from Belarus, for severe violations of freedom of association.

Promotion of fair trade and social labelling schemes by co-financing campaigns among consumers throughout Europe, as we shall see later, can be regarded also as means to sustain decent work at a world level.

A last point to underline concerns the support given by the EU to extend corporate social responsibility standards by the private sector to its international operations.

Fairness and Trade from a Theoretical Standpoint

Before examining closer the EU's stance towards fair trade initiatives there is a need to spend some words about the relationship between fairness and trade practices from the theoretical standpoint. What is the present analytical status of such a link? In order to elucidate briefly this subject we shall focus only on three distinct topics.

First we intend to present interpretations deriving from two complementary approaches: what could be

called the Westphalian line of thought on the one hand, and that focusing on a possible contrast between economic efficiency and principles of redistributive justice on the other. Both entail a number of challenging philosophical complexities, but whereas the former can be considered as more general in its essence the latter is more circumscribed. In addition, reference will be made to recent developments in the field of unorthodox economics, explaining human action also on the basis of inequity aversion and social preferences at large.

Beyond the old scholastic argument of the fair price, the Westphalian line of thought tries to assess the measure in which moral considerations can be applied to trade policies of sovereign countries, each having a distinct body of laws. The adjective identifying this theoretical interpretation refers precisely to the division of world in independent and sovereign states. In its framework fairness has to do with the distribution of goods, or burden, such as taxes, and with processes ruling such distributions. In order to satisfy fairness, two redistributive conditions have to be ensured: people have to receive what is owed to them on the basis of stringent claims, obtaining at the same time a proportionate satisfaction.

Three different versions of the Westphalian principles can be given, following the progressively larger room that fairness can be granted in trade relations between countries (Risse, 2006). The Strong Westphalian View (SWV) represents a minimalist interpretation of the issue, since according to it trade cannot imply morally relevant relationships across countries and individuals belonging to different international jurisdictions, excepted the extreme case in which traded goods are produced by horrible activities such as slavery. Put differently, trade policies are an exclusive business of every country, international prices have to be accepted as a state of nature and nobody can claim anything on the basis of fairness considerations. The Moderate Westphalian View (MWV) recognises the freedom by each country to determine its social costs of production, but requires that trade does not harm other countries and its effects are distributed according to a legitimate

process. Violations of such conditions legitimate claims in fairness by country and individual losers to be protected, taking however into account competing economic interests in free trade. Last, the Weak Westphalian View (WWV), in addition to objections to SWV raised by MWS, maintains that the trade world set up has to acknowledge duties towards DCs. As a matter of consequence every country has to determine its costs of production with four constraints: no other country has to be damaged, distribution of trade effects has to follow a legitimate process, violations of the first two conditions may give rise to protective measures for the losers (that however have to be weighted in opposition to economic interest in free trade), and trade policies have to be devised considering duties to poor countries. As shown in Risse (2006), it is possible to argue against both SWV and MWS and in favour of WWV, even though the latter cannot always deliver a clear verdict on every fairness claim about trade, but constitutes simply a starting point for achieving such a result.

As to the contrast between economic efficiency and fairness in trade based on concepts of distributive equity, Brown and Stern (2005, 2006, 2007) discuss in depth the issue, referring to the functioning of the global trading system within the GATT/WTO rules. Among different possible notions of fairness in trade examined in Brown and Stern (2006), they privilege a definition implying two criteria: not only distributive equity but also equality of opportunity. Both are deemed to be necessary in order to best assess fairness in the world trading stage. According to them, both can be interpreted at the same time as instrumental criteria: the latter in terms of prerequisite for setting up a mutually advantageous trade system; the former for offsetting initial conditions faced by DCs in view to formally ensure equality of opportunities. However, at the heart of their analysis moral considerations are not absent, since huge disparities in levels of living across countries and individuals have given origin to a moral obligation to the poor, as it is shown by the provision of aid to poor countries by the richer ones.

Conversely, what is absent is the criterion of economic

efficiency even in the version of welfare maximisation coupled with compensations for the losers by gainers of trade liberalisation. In the economist's jargon economic or allocative efficiency is defined as a state of Pareto optimality, where a country cannot be made better off with the constraint that no other one is made worse off. According to a widespread belief among economists, allocative efficiency is ensured even though the latter constraint is not respected, provided the countries which gain from international trade at the expense of others can transfer compensations to them, leaving their welfare untouched. Assuming that after compensation the gainers are still better off, all this would translate into an improvement in efficiency

But all players in trade arena expect to reap some gains and as shown by Rawls (1971) the principle of the greatest good for the greatest number is incompatible with social cooperation among equals expecting mutual advantages. Moreover, the efficiency criterion based on utilitarian foundation, i. e. utility maximisation by a rational agent, can be challenged by a number of objections, following the Sen's (1998) critique. In particular it is static in its essence, not taking into account the long term rate of growth, and falls short of considering the existence of market failures, included the backward initial conditions in which DCs operate in the global trade system and the fact that standard economic assumptions about the functioning of markets are not satisfied in their case (Stiglitz and Charlton, 2005). Nevertheless the efficiency yardstick can be useful for choosing the best way of ensuring fairness in trade.

In sum all this justifies the claim to warrant fairness in trade by recognising a special status to DCs, i. e. by granting them preferential schemes coupled with the right to makes use of developmental measures.

Fair trade, in its aspect of taking into consideration the interests of poor countries and the willingness to pay more for goods incorporating social goals, can be also explained by a recent strand of literature underlying the role of non pecuniary incentives in agents'

behaviour, in fresh extensions of contract and principal-agent theories. In their framework, choices of consumers and workers could contrast with predictions of standard microeconomics founded on self interested utilitarian behaviour, owing to the existence of inequity aversion and social preferences (Fehr and Schmidt 2003, Sobel 2005). Following globalisation of markets and a reduction of distances attached to it some consumers, typically fair trade supporters, may extend the reference group on which to express social preferences to poor producers located in DCs (Becchetti and Rosati, 2005).

Fair Trade Recent Practices

Current advances within fair trade literature in general are focusing mainly on two parallel research lines: types and definition of this distinctive segment of international trade on the one hand and assessment of its evolution in terms of market share and commercial experiences on the other hand.

As to the first issue, taking into account the vision shared by its proponents, two versions of the fair trade movement have been distinguished: the more radical and the more reformist ones (Hira and Ferrie, 2006). While the former, at least initially, has been advocating a rupture with global capitalistic practices in favour of a new world system embodying equity principles to poor DCs producers, the latter aims to promote better and more equitable working conditions for the poor within the existing trade schemes. Therefore, whereas the radical movement uses only alternative distributive channels, such as non-governmental organisations (NGOs) and alternative trade organisations, the reformists are also in favour of employing mainstream retailers such as supermarkets (Golding and Peattle, 2005). The main organisations belonging to this second group, such as Oxfam, follow a number of fair trade standards regarding producers (organised in democratic cooperatives, applying sustainable environmental methods), trade practices (long-term contracts allowing for lasting sustainable production planning) along with compensation conditions (advances on payments and prices covering production costs plus a social premium for funding development investments).

But indeed, considering closer its idiosyncratic characters, what one should expect when it comes to speak about fair trade, beyond the synthetic and provisional definition put forth in the introduction not in its vulgar *laissez-faire* significance, but in its more proper sense of an equitable shape of international trade where prices and production systems are based on sustainable development principles both from the social and environmental standpoints? What are more precisely its analytical contents?

A full list of such features that can be deemed to be analytically quite satisfactory has been recently given in Becchetti and Rosati (2005). According to them fair trade is defined in terms of eight distinctive criteria:

- i. a higher price in comparison with market prices practised in standard international transactions, with the caveat that this does not represent a violation of market principles owing to the presence of monopsonistic conditions in the former and of socially responsible characters in the bundle of features embodied in fair trade products, thus offsetting market failures also in form of market incompleteness;
- ii. pre-financing of local production, therefore reducing market power of DCs lenders and local credit rationing;
- iii. stabilisation of fair product prices, subduing commodity price volatility;
- iv. better working conditions for local households and integration of their income, lessening incentives to use child labour;
- v. use of the fair trade price premium to fund provision of local public goods, such as human capital improvements;
- vi. dissemination of environment friendly production processes;
- vii. more transparent prices and reduction of asymmetric information on them;
- viii. long term relationship between fair trade importers and local producers, implying better information on foreign markets conditions.

As far as recent developments in the field of commercial patterns are concerned, it has to be stressed

that even though fair trade accounts only for a niche share of the relevant international markets, on average around 2 per cent, in last years its rates of growth have been quite high, being assessed between 10 and 25 per cent (Irato, 2004). According to Wikipedia (2007) in 2006 at a worldwide level the sector sales amounted to around €1.6 billion, with a 41 per cent year-to-year increase. This is due also to the decision of traditional producers and distribution chains to sell in supermarkets fair trade products, in view of increasing their socially responsibility reputation in consumers' opinion: an important factor in present selling strategies (Hira and Ferrie, 2006). Moore (2004) estimates that one and half million of poor families are currently involved in fair trade practices and that the actual market share of such a kind of goods is about 20-30 times lower than its long term potential.

An old Eurobarometer survey conducted in 1997 unveiled a number of noteworthy elements about the EU consumers attitudes towards fair trade products (Commission of the European Communities, 1997). Only less than one third of EU population was aware of the existence of the latter, but barely one consumer out of ten had experienced a purchase of them in the past. Differences among EU member countries in awareness and experience of fair trade goods were quite large: whereas in northern and central member countries, such as the UK and the Netherlands, this type of trade was better known, in the Mediterranean countries, such as in France or in Greece, the level of information and familiarity thereon was low. As a result actual purchases of fair trade items also varied significantly over countries. The highest scores were recorded in Luxembourg and in the Netherlands, where about half of the informed consumers were willing to buy new fair trade products, while in Portugal and Greece the shares of the latter were only one quarter, and in Spain one fifth of total buyers.

More recent investigations based on opinion polls point out however that the willingness by EU consumers to positively assess ethical characters of goods is probably increasing, as it is shown in Demos

and Pi-Coop (2004), Becchetti and Rosati (2005) and De Pelsmacker et al. (2005), as well as in a TNS Emnid research carried out in 2004 quoted in the latter paper.

Demos and Pi-Coop (2004), surveying a balanced sample of Italian consumers, find that 40 per cent of them unveil to have bought fair trade products at least once in a year and that half of this share purchase such goods more frequently. A more structured econometric study by Becchetti and Rosati (2005) on a sample of about one thousand Italian purchasers of fair trade items shows that fair trade goods display a less than unit income elasticity (i. e. their consumption does not follow entirely the growth of individual earnings) and that their demand is positively linked to age and awareness of socially responsible characters, being at the same time negatively associated with distance from the nearest shop. Furthermore, such a kind of awareness depends on factors such as consumption habits and ethical associations membership.

With specific reference to the purchase of fair trade coffee De Pelsmacker et al. (2005), in a survey covering around 800 Belgian consumers, find that the price premium accepted on fair trade label goods is 10 per cent on average, compared with an existing surcharge of 27 per cent. Four clusters of consumers were identified following a decreasing willingness to pay for the socially responsible contents of fair trade coffee. The first two segments of fair trade “lovers” and “likers” accounted for 50 per cent of the sample, with half of the former accepting the current ethical additional price.

The main findings of the 2004 TNS Emnid research covering a representative sample of German consumers concern the widespread support expressed towards fair trade principles (35 per cent of the respondents), but also the fact that only 3 per cent of them are habitual customers of fair trade outlets, whereas one out of four purchasers buys seldom or never such kind of goods.

Inferring from these studies future possible

developments in fair trade sales in the EU market would be nevertheless inappropriate since consumers' attitudes only are poor indicators of effective consumption behaviour because in general purchasers take into account many product attributes, among which socially responsible characters are weighted against other factors such as quality and brand familiarity (De Pelsmacker et al. 2005).

As to the different fair trade products, beside investigations on the case of coffee it is worth mentioning the willingness of European consumers to buy free trade bananas. The 1997 Eurobarometer inquiry showed that three quarters of the EU population were willing to purchase such a kind of fruits provided they were available in the shops, and more than a third of it was prepared to accept a premium of 10 per cent for them. In addition, more than 7 out of 10 consumers having acquired in the past fair trade products were more available to choose fair trade bananas, with a price premium of at least 10 per cent.

As it is, future attitude by European consumers towards fair trade will depend upon the ability of its promoters and public institutions supporting them to meet a number of trials concerning its role and impact. Among them three main challenges can be singled out: a better definition of its contents and the means to certify it, a larger awareness and availability across different countries, and a clearer understanding of its contribution to development (Hira and Ferrie, 2006).

Despite much effort spent in identifying fair trade basic characters, its very notion probably deserves some further analysis. What is needed in particular is the study of its differentiation features with some parallel goods, such as those of organic and environmentally friendly products. At the same time the issue of its certification has to be addressed. Indeed, the present institutions certifying that a product meets all the necessary standards, such as Transfair and Max Havelaar for the coffee and the Fairtrade Labeling Organization grouping many NGOs acting in this

field, have up to now limited scope and resources to ensure a widespread dissemination of fair trade practices.

As mentioned above, in a number of EU countries consumers availability to buy fair trade items is noteworthy, but in others it is quite low. In the aftermath of the 1997 Eurobarometer research a survey by the European Fair Trade Association confirms this state of the issue with awareness of the system reaching around one third of buyers only in some European markets, namely in Austria, Belgium, Denmark, France, Germany, the Netherlands and Switzerland (EFTA, 2001). In order to foster fair trade practices in the rest of Europe, more public support could be crucial, and in this context the EU could play a major role.

Even more daunting is the challenge of a clearer understanding of fair trade effects on development. Indeed it can be argued that by helping DCs rely on commodity specialisation, in the long run their growth and development perspectives will worsen. Sticking to agriculture in the global division of labour can be considered as a sure means for them to be caught in an underdevelopment trap.

The Engels' law of a diminishing share of agriculture produce in the total consumers expenditure and the oligopolistic power of traders in commodity international trade bode ill for DCs specialising in primary products, even though one key feature of fair trade consists just in trying to shield poor producers from global traders' huge market power.

Fair Trade Practices within the EU

Seven years ago, in its communication to the Council the European commission (1999) described the situation of fair trade practices within its jurisdiction, distinguishing between commercial and political activities. By the end of last century the marketing of fair trade goods was largely assured by alternative outlets such as the world shops, run at a local level by charitable personnel. The number of world shops organisations was in excess of 3,000 with 70,000 distribution points and approximately 100,000

volunteers. In all member countries excepted Greece, Portugal and Spain there were certification systems of this kind of ethical shopping by fair trade labels. At the same time dissemination of fair trade activities in mainstream distribution channels such as supermarkets was in a nascent stage, with several traditional retailer own brands qualifying for the relevant label. Between 1994 and 1997 the total turnover of fair trade products within the EU increased from 175 to possibly 250 million euros. As to the goods distributed most of them belonged to the food sector, including coffee (about 50 per cent of the total), cocoa, tea, bananas, sugar, and honey, for which a system of labelling was at hand, whereas other products such as craft articles had minor market shares.

More recent data were contained in an EFTA survey (2001), reporting fair trade organisations in 18 European countries, with 43,000 supermarkets (of which more than 19,000 in the sole Germany) and market shares for coffee, tea, and bananas ranging from 0.1 to 4.2 per cent, with the exception of Switzerland. In the latter, fair trade goods covered a share of 5 per cent, with a bananas market fraction exceeding 20 per cent of total selling turnover, above all owing to involvement of big retailers such as Coop and Migros.

As it is, the presence of fair trade products in European markets is stronger than in the US and Canada, possibly due past European bad experience in the food safety field, as it was shown by the mad cow disease case.

Political activities for fair trade in the EU were mainly linked to the support given by EU institutions to the system, with an active involvement of the European Parliament.

Currently, the EU sustains fair trade activities by aiding NGOs carrying out them and by backing the system through public statutes. In details, in the framework of its policy of supporting alternative trade, which comprises also other types of ethical trade initiatives, the EU promotes fair trade activities by funding organisations acting in this sector both at home and

in DCs. Among the former, special consideration has been given to fair trade labelling associations which launch new product lines, such as that of orange juice, world shops which wish to strengthen their structure and the EFTA, in its capacity of European foundation regrouping member country organisations. Financial aid has been used for supporting campaigns of awareness raising, marketing, research and labelling activities, with an investment reaching around 16 million euros in the second half of the Nineties.

Fair trade practices in DCs have been shored up by including a chapter on this system in partnership agreements with third countries, as in the case of the ACP Cotonou accord signed in 2000. Within its framework assistance was forecast for ACP bananas traditional producers through fair trade practices.

Among the projects funded by the EU chiefly noteworthy are those comprised in a list of 66 ethical initiatives over the period 1997-2002, of which more than 50 per cent concerned fair trade with a cost of 16 out of 30 million.

EU Policies to Extend Fair Trade Experience

Supporting fair trade practices can be considered as a minor but nevertheless significant tool by the EU to make globalisation work for all, including poor countries and individuals at a worldwide level. Far more important would be to comply with requests by DCs within the Doha round to lessen agriculture protection hampering them to have access to its rich internal market. As it is, positive actions in such fields are rooted in its own statutes. According to article 177 of the Treaty establishing the European Community the European development cooperation has to be based on fostering the sustainable economic and social developments of DCs, notably the less developed ones, by helping their smooth and gradual integration into the global system and by fighting against poverty in their societies.

This said, it has to be emphasised that in promoting

fair trade initiatives the EU has a formal obligation not to damage interests of other private agents, such as those involved in parallel ethical projects deriving from corporate social responsibility codes, and to respect WTO rules prohibiting discrimination against other countries (Lamy, 2004), although the objective of sustainable development is paid a lip service within them. However, in principle, fair trade, being a private initiative carried out by voluntary participation, should be considered consistent with multilateral trading rules (Commission of the EC, 1999).

As to the Doha development agenda, whose gains for DCs are expected to be quite high (World Bank, 2004), in the last part of 2007 the willingness of EU to help DCs in the field of global trade will be at proof. After a long period of deadlock in the bargaining process, in July two draft deals on agriculture and manufacturing have been proposed, that have to be discussed by WTO member countries for approval after the summer break. Commissioner Mandelson (2007) has recently stated the EU's availability to make major cuts in both agriculture tariffs and subsidies. We shall see whether such a commitment will be really honoured.

Reverting to the means by which the EU can further sustain fair trade, among the possible proposals the first place should be probably reserved to the strengthening of tools needed to fill the knowledge gap surrounding many aspects of the system. Not only a clear definition of what criteria the relevant goods should display does not yet exist, but what we really know about, for instance, consumer preferences or fair trade distinctive features in comparison with other forms of ethical trade or consumption is quite unsatisfactory. At the same time, after the 1999 EU investigation on the subject, up-to-date information about the present state of the system is still lacking. Thus, promotion by the EU of deeper and larger studies on different aspects of the system would be welcome. An instrumental suggestion for covering all these issues would be to set up a permanent observatory on fair trade practices, or a section of a wider research institution on ethical trade or consumption.

In addition public awareness campaigns, along with promotion of discussion and information to the public, mainly through dissemination of non discriminatory and transparent labelling schemes, could occupy the second place of the list.

A necessary complement to this would be to build up certification and verification procedures on practices quality, in order to justify the EU funding: another task which could be assigned to the observatory.

As to the direct financial support to organisations involved in the system, a strengthening of aid could be linked to their participation to a platform for dialogue with the fair trade movement, following a proposal put forth in the Commission 1999 document. Also supports to possible international stabilisation price mechanisms, a difficult issue if any, could be devised after an indispensable extensive study on the subject.

Last, EU funded interventions in DCs under the fair trade heading could be devoted to capacity building projects and to fostering possible alliances with DCs producers or governments to weaken the oligopolistic power of big retailers by setting up alternative wholesale distribution channels.

Conclusions

In this paper we have tried to carry out a somewhat short investigation on different aspects of fair trade practices with reference to EU policies in this particular sector of international selling and buying. The stages of the research have focused on the wider framework of UN related policies in favour of a fair globalisation, where the EU as a global player aims at exporting its own model of soft power, a number of theoretical approaches that have been made available for explaining the crux of the relationship between fairness and trade, some recent developments in the sector experiences, the current situation of fair trade practices within the EU, and a quantity of possible proposals for enhancing the support given to them by EU institutions.

The main results of our inquiry can be summarised

in three points. First, even though other more far reaching policies are at hand, such as that followed within the Doha development agenda, fair trade is a valuable means for the EU in view of creating better opportunities for DCs to obtain a larger share of globalisation benefits, assumed that the latter can subsist for them too. Its cautiousness in implementing fair trade supporting measures in terms of respecting allegedly no discrimination principles is therefore hardly justified.

Second, however useful for helping improve DCs growth prospects, fair trade contribution to such a goal is scanty, since it covers so far only a niche place in overall international commodity commerce. Thus improvements are needed in order to heighten its market shares, which is quite feasible as it is shown by the Switzerland experience, where fair trade goods are selling quite well, above the EU's figures.

Third, among possible measures the EU could make use of in order to further promote fair trade the first place is surely to be reserved to fostering better information, mainly in form of labelling schemes dissemination and promotion. To this aim the setting up of a permanent observatory on the sector initiatives and developments could be helpful. When still EU trade commissioner, the present WTO head Pascal Lamy, delivering a contribution to the 2004 fair trade conference in Brussels stressed the necessity to render the supply chains in the sector less opaque, adding that the customer is king, but that at the same time "the King is powerless without information".

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