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## 15. The European Union and Fair Trade: hands off?

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### 15.1 INTRODUCTION

Since the Lisbon Treaty (2009), promoting ‘free and fair trade’ has explicitly become one of the objectives of the European Union’s (EU) relations with the wider world (TEU art 3.5, see Box 15.2). In addition, the latest trade strategy of the EU, ‘Trade for All’ (2015), emphasises the need for a value-based trade policy. It refers to the promotion of sustainable development, human rights and good governance through trade and suggests several instruments to achieve this objective, including ‘fair and ethical trading schemes’ (European Commission, 2015, p. 25).

However, it remains rather unclear what the EU’s position concerning fair trade exactly is. The academic literature on the EU’s common commercial policy rarely refers to fair trade policies. An important obstacle for clearly understanding what the EU’s approach to this topic would be is the ambiguous meaning of the concept ‘Fair Trade’. Since there are divergent interpretations of Fair Trade, ranging from labelling of products, over support to the social movement, to the reform of the trading system, and even trade defence instruments, there is no established answer to that question.

The aim of this chapter is twofold. First, on a conceptual level, a framework is developed to unravel the diverse meanings of ‘Fair Trade’ and to structure the debate. Second, from an empirical point of view, this framework is used to interpret the EU’s position and how it has evolved over time.

The chapter is structured as follows: first the complexity and ambiguity of the term ‘Fair Trade’ is briefly introduced, followed by an explanation and schematisation of its sometimes complementary, sometimes opposing ideological and philosophical meanings. Once the conceptual confusion associated with this concept is clarified, a historical overview of the EU’s positions and initiatives concerning Fair Trade is given, enabling a better understanding of where the EU Fair Trade policy is coming from and where it could be going. Finally, the framework developed in the first part will serve as a heuristic tool to map the EU’s position on the matter, followed by conclusions.

### 15.2 WHAT’S IN A NAME?

‘Fair Trade’ is a complex and multi-dimensional concept (Miller, 2017). There are several opinions on what fairness actually stands for and how it should be attained. In this regard, special attention should be given to the various spellings and the corresponding meanings of the term (see Box 15.1) as this distinction will also be used throughout the chapter.

In addition to ‘Fair Trade’, other terms such as alternative trade, ethical trade, social trade, trade justice and sustainable trade are used. Even though these terms often remain undefined and are used interchangeably, each of them could be given a specific meaning.

**BOX 15.1 VARIOUS SPELLINGS OF FAIR TRADE**

**Fairtrade** – one word – refers to products certified by Fairtrade Labelling Organisations International (World Fair Trade Organization et al., 2011). This product label is what most people will know as fair trade and has become the most popular and accessible model of fair trade to date.

The term **fair trade** – two words and lowercase – is used to refer broadly to the social movement, concept and market, while **Fair Trade** – two words, capitalised – is the umbrella term for the philosophies and practices committed to fairness in global trade (Valiente-Riedl, 2013).

Respectively 'fairtrade', 'fair trade' and 'Fair Trade' **move from a very narrow to an extremely broad interpretation**, a distinction that will be addressed hereunder. These spelling rules are confirmed by other authors (for instance Fisher, 2009), however the notations are often mixed up, requiring a clarifying context.

For instance, sustainable trade also includes organic products, and social trade is focused on ensuring that working conditions in global value chains meet minimum international standards, mainly referring to the adoption of codes in the context of Corporate Social Responsibility (CSR) (Smith & Barrientos, 2005).

Whereas all variations of Fair Trade have in common that they refer to achieving greater equity in international trade, there is no consensus on how this should be organised, what it should look like, or which actors should be involved. In the conceptual framework set out below, we will map the different interpretations of the concept 'Fair Trade'. These range from the narrow and pragmatic approach of fairtrade labelling schemes and CSR practices to a broader interpretation of changing the international trading rules, which is often referred to as 'trade justice'. Moreover, we will indicate that, parallel to this narrow and broad interpretation of Fair Trade, different roles in scope and substance can be reserved for governments and/or market players.

These extremes are gathered in a matrix that we will use to structure the debate (see Figure 15.1). The framework consists of two axes. The first axis makes a distinction according to the extent of systemic change necessary to achieve fair trade, and ranges from a revisionist to revolutionary view (partly based on Walton, 2010). The second axis distinguishes the required role of the government or public sector versus the market or private sector, in other words whether interventionism or neoliberalism prevails. Since these axes represent a continuum between the opposite extremes, there is no watertight seal separating them and gradations within each of the quadrants are possible.

**15.2.1 Revisionist Fairtrade**

The revisionist approach is pragmatic and narrow in the sense that the solutions put forward to achieve greater equity in international trade do not challenge the functioning of the current, market-oriented trading system (in particular the rules of the World Trade Organization [WTO]).

Two distinct forms are included in the revisionist approach. The first, 'fairtrade', is the most well-known interpretation of 'Fair Trade', as it constitutes a concrete practice that can easily be visualised through the product-certification route (e.g. Oxfam label) or

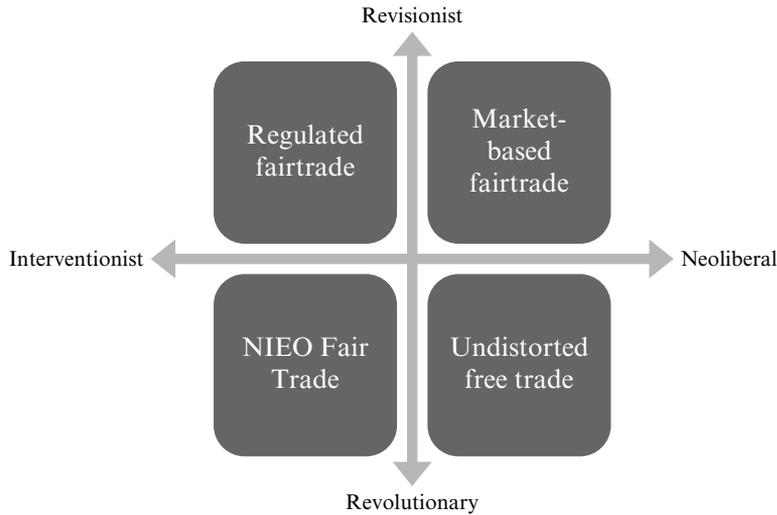


Figure 15.1 Conceptualisations of Fair Trade

through the integrated-supply route (e.g. world shops) (Cremona & Marín Durán, 2013). The most commonly used definition of this notion of fair trade has been put forward by the fair trade movement and reads as follows:

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, disadvantaged 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. (World Fair Trade Organization et al., 2011)

The fair trade social movement has put much emphasis on the marketing of fairtrade and it has been relatively successful in doing so (Murray et al., 2006). However, the impact of this notion of fairtrade has often been questioned (Dragusanu et al., 2014), not least because it is doubtful to what extent fairtrade can have any impact if it continues to be a small (albeit growing) niche market. Also, the question whether fair trade should be mainstreamed or not has been strongly debated (Fridell, 2006; Jaffee, 2012; Murray et al., 2006; Reynolds, 2009). In addition, as the criteria underlying different labels can vary greatly, the lack of transparency between different labels has been criticised (Kolk, 2013; Reynolds et al., 2007).

When combining this narrow interpretation of fair trade with the second axis, namely interventionist (government dominated) versus neoliberal (market dominated) approaches, different ways to achieve the ‘fairtrade’ objective can be discerned. Governments can actively support fairtrade labelling schemes and sales volumes. For instance, they can engage in the development of state-led public labels, which for instance already exist at EU level for organic products. Here, governmental actors would be in charge of setting the criteria, issuing the certification and providing the necessary follow-up. Governmental actors could also be involved in ensuring the credibility of private fairtrade labels, which

is currently under pressure, by monitoring and following up on their implementation. In addition, public authorities can develop supportive public procurement rules enabling the consumption of fairtrade products. Constituting important players in procurement markets, governments could influence the market and set an example by putting ethical principles at the forefront of their purchasing practices. In addition, governments could decide to install beneficial market access, i.e. low or no import tariffs, for fairtrade labelled products.

To the extent that governments intervene in the creation and monitoring of labelling schemes, and link these to procurement rules and import tariffs, they move further into the 'regulated fairtrade' quadrant of the matrix. Alternatively, moving away from more interventionist initiatives and allocating a bigger role to market actors, governments can limit themselves to the promotion of fairtrade products through awareness and information campaigns. Proceeding towards the neoliberal end of the spectrum, the business of labelling can be left entirely in the hands of private actors and remain voluntary. Governments then take a hands-off approach. Consumers' demands and reputation determine which labels are credible enough and worth purchasing. The law of supply and demand decides to what extent some fairtrade labels may be more successful than others.

The promotion of CSR, which has become an increasingly important buzzword in international business over the past decade, represents the second form of the revisionist approach. CSR refers to businesses taking responsibility for their impact on society, reconciling their economic, social and environmental ambitions. CSR policies are self-regulatory, defined at company level (mostly via a corporate code of conduct or third-party certification [including fairtrade]), whereby certain principles, rules and systems should ensure that the company's actions are not only legal but also ethical (Hendrickx et al., 2016). Even though several definitions of CSR exist, Dahlsrud (2008) identified five consistently recurrent dimensions, namely the environmental, social, economic, stakeholder and voluntariness dimensions. Due diligence is a central concept for CSR, referring to the identification and management of risks and the steps that a reasonable and prudent company should take in order to avoid them and reduce its liability (Bright, 2016). In the context of responsible business conduct, due diligence refers similarly to the steps taken by a business to identify, prevent and mitigate any adverse effects of their activities throughout their entire supply chains on environmental, labour and human rights. By doing so, trade along the supply chain becomes fairer for those involved. Companies have been increasingly active in setting up CSR policies. However, research has shown that these have in general brought only limited improvements (Lund-Thomsen & Lindgreen, 2014). The main criticisms against CSR commitments concern their lack of enforceability as well as the limited transparency and lack of efforts by businesses to disclose the impact of their activities.

Even though CSR is originally a business-led practice, more interventionist options can also be envisaged. Governments could expand the existing legal obligations for businesses, especially the liability of the parent company in their home state for the impact of their or their subsidiaries' activities abroad. Other avenues by which governments could steer and shape CSR include setting rules for more transparency, multi-stakeholder initiatives to closely monitor certain sectors and companies, and interacting with private initiatives. The Kimberly Process Certification Scheme, initiated in 2003 by the United Nations to stop the trade in conflict diamonds and to ensure that this trade was not fueling violence

by rebel movements, illustrates a potential approach (European Commission, 2014). Another example is the Bangladesh Sustainability Compact (see Box 15.3). Deviating less from the neoliberal part of the axis, governments can agree upon and manage to different degrees the implementation of non-binding principles that should be adhered to. The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are cases in point. Similar to fairtrade labelling, however, governments often limit themselves to promoting awareness of CSR principles, relying on the self-regulating force of 'ethical consumerism'.

Walton (2010) suggests that fair trade is best characterised as an attempt to establish a form of 'interim global market justice in a non-ideal world' (p. 441). 'Interim' refers to the fact that fair trade is a second-best proxy in the absence of the wider implementation of justice at the global level. This insight brings us to the revolutionary side of our conceptualisation, where, in contrast to the fair trade option outlined above, structural changes to the current trade system are envisaged.

### 15.3 REVOLUTIONARY FAIR TRADE

On the other side of the vertical axis, the revolutionary approach is ideological and broad. Here, we find two opposed interpretations of 'Fair Trade': the first one focuses on the fairness of the *outcome* of international trade practices, whereas the other interpretation looks mainly into their *procedural* fairness. We label both of them as revolutionary because the realisation of their core objective requires a structural change of the current trading system.

First, ever since the emergence of the fair trade movement in the 1960s, the pragmatic strategy mentioned above was supposed to be a component of a larger agenda to make the international trading system fairer. In this context, the fair trade movement can be seen as a countermovement of de-commodification and social re-embedding (Raynolds, 2000) and as resistance to the hegemonic global capitalist market (Shreck, 2005). In other words, the broader objective is to counter the trend of unequal growth in favour of the West and to oppose the prevailing practice of treating the world and its resources merely as products to be sold or bought. The origins of the fair trade movement coincide with the calls within the UNCTAD and G77 for a New International Economic Order (NIEO) that would radically restructure the world trading system and abolish the structural dependence of the South on the North (Rothstein, 1979). In this context commodity arrangements were launched providing high and stable prices for producers in the South and protective measures to insulate them from international competition and foster industrialisation. Ideologically, the pleas for a NIEO can be seen as the globalisation and radicalisation of the 'embedded liberalism' compromise between states and markets that characterised the post-war economic consensus in the North.

Here, fairness in trade depends on the consequences of a trading practice on the countries and their population. If these consequences are not fair, then the practice should be changed. Two issues are central in evaluating the outcome of trade. First, there is the issue of (global) distributive justice that handles the allocation of resources in societies (Boda, 2001; de Bres, 2016; Miller, 2017; Rawls, 1999; Rescher, 2002; Risse, 2012). This topic has caused much ink to flow, and the much-debated distinction between equality and equity

is particularly relevant when assessing the meaning of Fair Trade. Whereas equality refers to an equal distribution of wealth, equity puts this amount into perspective, adjusting the distribution to the needs of the actors (de Bres, 2016; Starmans et al., 2017). A second pertinent issue concerning the outcome of trade is its intergenerational dimension (Boda, 2001). Here, the fairness of trade is assessed through the impact of trade on sustainable development (De Schutter, 2015). Scholars and activists have argued that trade should not only be more regulated in terms of social and environmental standards, but also reduced in absolute terms since current trade practices inherently impede long-term sustainability.

Since public authorities at the national and international level are indispensable for the realisation of such systemic change, this interpretation is clearly located at the interventionist end of the horizontal axis. What this new trade system would look like is up for discussion, it would however allow countries, and especially developing and least developing countries (LDCs) to transform the rules in favour of their needs, enabling them to develop their economies according to their own preferences. It would drastically enlarge the 'policy space' of national (or regional) authorities in the South and in the North for the pursuit of sustainable development objectives (Heron, 2011; Shalden, 2005; UNCTAD, 2014).

Second, and radically diverging from the previous notion, Fair Trade can be seen as a synonym for undistorted free trade. Trade should be freed from barriers and discrimination. The role of governments is limited to guaranteeing the 'level playing field', for instance through competition policies. Accordingly, in trade policy circles, the term 'fair trade' has traditionally been used as a reference to certain trade protection instruments such as anti-dumping and anti-subsidy. One could wonder why this interpretation is not simply tagged as free and unfree trade.

According to the classical neoliberal view on international trade, the rules of the WTO are seen as the best guarantee for fair trade, whereas 'unfair trade' is typically characterised as violations of these rules. From this perspective, the development towards a completely liberalised trading system is thus necessary. Even though this approach is in line with current developments, the full realisation of this objective would still represent a radical change, for instance by prohibiting agricultural subsidies, import tariffs and other market interventions that are still allowed by the WTO. Importantly, free trade advocates are not necessarily opposed to (fairtrade) labelling, as long as this happens in a non-discriminatory and transparent way. When it comes to social clauses in international trade, free traders have always argued that voluntary and non-binding approaches such as labelling are more effective and less prone to protectionist abuses (Bhagwati, 2002).

In contrast to focusing on the outcome of the trade practice, in this view the rules and procedures aiming at the creation of a level playing field are paramount. Nozick's Entitlement Theory (1974) allows us to interpret a norm of conduct (of traders in our case), claiming that we can tell whether a distribution of goods is just or not by looking at its history: if goods were acquired and transferred legitimately – in our case, in line with WTO rules – then the resulting distribution of goods is just. If they were not, then we have to ask whether the injustice was rectified (Green, 2009).

In this interpretation of undistorted free trade the role of governments is limited to creating an enabling space for the market to function freely. For this purpose further liberalisation between states is necessary, both in terms of tariffs and non-tariff barriers. In addition, the free trade agenda needs to be deepened. This entails the inclusion of

domestic regulatory matters that have a, direct or indirect, impact on trade in liberalisation negotiation. The more this free trade agenda can be realised, the more trade relations will be considered 'fair'.

## 15.4 AN EU FAIR TRADE POLICY?

After clarifying the different interpretations of the concept of Fair Trade, the question of the EU's position on the matter can now be addressed. Before structuring the EU Fair Trade policy according to the framework introduced above (see Figure 15.1), we provide a historical sketch of the EU's trade policy and relevant initiatives.

### 15.4.1 NIEO-inspired Trade Initiatives

Since the EU's creation, trade and aid relations with the EU member states' (former) colonies (later grouped as the African, Caribbean and Pacific [ACP] countries) have always received special attention. These relationships, formalised through the Yaoundé (1963, 1969) and Lomé conventions (1975, 1980, 1985, 1990) and the Cotonou Agreement (2000), have always been larded with an ethical development discourse (Langan, 2009). In the context of the scarcity of some commodities and the oil crises, as well as the growing assertiveness of newly independent developing countries, the EU (then still the European Community) developed a number of initiatives that somewhat approached the 'NIEO Fair Trade' quadrant. For instance, the EU was the first to create a Generalised System of Preferences (GSP) in 1971, thereby enhancing Asian and Latin American countries' access to the European market in a non-reciprocal way. In the same NIEO spirit, the first Lomé Convention established relatively ambitious trade-and-aid schemes aimed at intervention in international commodity markets such as Stabex, a compensatory finance scheme to stabilise export earnings of ACP countries, which was later extended to Sysmin for mining products and commodity protocols providing fixed quotas and prices for bananas, sugar and rum. Lomé also established non-reciprocal market access for the ACP countries. Despite significant limitations in design and obstacles in implementation, these initiatives at least partly echoed the NIEO demands for redressing the unequal distribution of benefits in favour of developing countries (Orbie, 2007).

### 15.4.2 Neoliberal Shift

These mechanisms were however gradually eroded through the 1980s and 1990s, demonstrating a shift towards more neoliberal EU trade policies. This culminated in the negotiation of the Cotonou Agreement, which abolished Stabex and Sysmin and reintroduced reciprocity in EU-ACP trade relations through Economic Partnership Agreements (EPAs). In line with a number of WTO verdicts and internal agricultural reforms, the banana and sugar protocols were effectively abolished. Even though trade was still being linked to development and other value-based objectives, regulated and market-based fairtrade clearly became the most-favoured approach.

First, this approach took shape through a number of highly symbolic trade-related initiatives that are located between the 'NIEO Fair Trade' and 'undistorted free trade'

quadrants: the first social GSP clause introduced in 1994, linking market access for developing countries to labour standards; ‘Everything but Arms’ (EBA) since 2001, providing duty-free and quota-free market access for the least-developed countries (LDCs); the elaboration of the GSP system with sustainable development and governance trade conditionality (GSP+) in 2005; and the EU Aid for Trade Strategy in 2007. While underpinning the EU’s image of an ethical actor towards the Global South, these initiatives also endorse a neoliberal logic to EU trade relations with developing countries (Orbie & Martens, 2016).

Second, the ‘market-based fairtrade’ interpretation has secured a place on the EU’s agenda. Especially the European Parliament paid attention to the calls of the fair trade movement and the first fairtrade label, Max Havelaar, which was launched in 1988. The Parliament issued several resolutions on the matter (in 1991, 1994, 1998, 2005), covering several pertinent Fair Trade themes, including structural imbalances, the WTO negotiations, policy coherence and coordination in the EU, and issues and suggestions concerning certification. The Commission then replied with rather descriptive Communications (in 1995, 1999, 2009) in which it elaborated on the concept of fair trade, adopting the fair trade movement’s definition mentioned above, and gave a brief outline of the situation at that time. The EU’s commitment to the aims and objectives of the WTO such as transparency and non-discrimination are always emphasised, indicating that fair trade initiatives should respect these prescribed principles. As will be confirmed below, this ‘hands-offs’ approach is still maintained today. In general, both the Parliament’s resolutions and the Commission’s Communications on fair trade have mostly addressed fair trade in the narrow and pragmatic sense (cf. market-based fairtrade).

Finally, in the same period, during the development of the European Constitutional Treaty, within the discussions of the Working Group on External Action in 2003, fair trade was also included among the EU objectives in the wider world. This would subsequently be taken over into the Lisbon Treaty (see Box 15.2).

Manners (2010) pointed to the apparent contradiction in the pursuit of ‘free and fair trade’. He considers the reference an interesting innovation and leaves the question of whether it is a meaningful declaration of principle – or not – open. According to Eeckhout (2011) this reference should be read as an instruction to take account of the interests of developing countries in the international trading system and not as a sign of support for trade defence measures (cf. undistorted free trade), because the reference is juxtaposed with ‘the

**BOX 15.2 ARTICLE 2.5 IN THE TREATY OF LISBON, AMENDING THE TREATY ON EUROPEAN UNION AND THE TREATY ESTABLISHING THE EUROPEAN COMMUNITY (2008)**

In its relations with the wider world, the Union shall uphold and promote its values and interests and contribute to the protection of its citizens. It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, **free and fair trade**, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter. [Emphasis added]

sustainable development of the earth', 'solidarity and mutual respect among peoples', and 'eradication of poverty and protection of human rights, in particular the rights of the child'. Interestingly, this novelty does not lean towards a more neoliberal trade order. However, as mentioned in the introduction, there is no univocal answer to the question of how the EU aims at realising this objective. However, rather than heralding a NIEO-style shift, we believe the reference indicates a growing preference for revisionist approaches to fair trade.

These initiatives can be understood in the context of increased activism from transnational advocacy groups and the growing discontent of developing countries faced with increasing international trade liberalisation. Growing anti-globalisation protests, such as the 'Battle of Seattle' in 1999, have made it clear that the legitimacy of the world trading system depends on its ability to incorporate developing country demands and address issues of global trade justice (Stiglitz, 2006; Summers, 2001). Anti-EPA protests in the 2000s, and more recently anti-TTIP and anti-CETA activism (against the EU trade agreements negotiated respectively with the United States and Canada) throughout the EU, have only further illustrated the rising concerns with the fairness of the EU's trade policy.

However, around the mid-2000s, it seemed that the commitments to Fair Trade had barely been implemented. The Commission had engaged in a more radical free trade orientation through the EPAs, where the Commission increasingly emphasised the need for reciprocal market access and deep trade liberalisation. The EPAs have experienced a rough start and serious delays; however, more and more ACP countries have succumbed to the EU's pressure and are in the process of finalising negotiations. Dicaprio and Trommer (2010) note that by signing EPAs, developing countries, and especially LDCs, engage more than ever before in international trade law. One third of the LDCs involved in EPA negotiations were not even WTO members in 2009. Through the EPAs they have been included in the neoliberal global trade regime and are more prone to WTO legislation.

This trend towards neoliberal trade policies manifested itself even more clearly when the 'Global Europe – Competing in the World' trade strategy for the EU was launched in 2006 by the then Trade Commissioner De Gucht. The basic message of the Global Europe strategy is that trade relations, and new trade agreements accordingly, should foster (EU) competitiveness and should therefore be pursued with emerging markets. 'Fairness' is mentioned several times, but only in the context of trade defence (cf. undistorted free trade). The implementation of the Global Europe strategy has been quite successful in terms of bilateral free trade agreements (FTAs). No fewer than nine trade agreements have been concluded since the strategy's launch (South-Korea [2010], Central America [2012], Peru and Colombia [2012; with Ecuador joining in 2016], Canada, Ukraine, Georgia, Moldova and Singapore [2014] and Vietnam [2016]), whereas several negotiations are advancing fast at the time of writing (such as with Japan, Mercosur and the modernisation of the agreement with Mexico). Other negotiations are stalled but not cancelled (India, Indonesia, Malaysia, Thailand, Philippines and the United States). Finally, more trade negotiations are in the pipeline, such as with New Zealand and Australia.

### **15.4.3 Piecemeal Approach**

In addition to the continuation of the (revised) initiatives linking trade and development launched in the 1990s and early 2000s, the EU has tried to combine its neoliberal

trade orientation with several ad hoc initiatives to curb certain negative consequences of trade. These can be grouped into four clusters: the chapters on 'trade and sustainable development' (T&SD) in EU bilateral trade agreements; the recent 'Trade for All' strategy; several initiatives addressing issues concerning human rights or sustainable development in a specific supply chain; and a continuing promotion of fairtrade – in the narrow sense.

All the new generation trade agreements, starting with the EU-Korea FTA, contain a T&SD chapter. Here, adherence to key international labour and environment standards and agreements, the prudent use of natural resources such as timber and fish, and the promotion of practices intended to favour sustainable development such as fair trade and CSR are included. These chapters also establish a monitoring mechanism which involved civil society of both parties. However, the T&SD chapters have been criticised for being too weakly implemented and not enforceable. There is currently a reflection exercise ongoing within the Commission to address these criticisms and improve the functioning of these chapters (European Commission, 2017).

The 'Trade for All' strategy (European Commission, 2015), Global Europe's successor, which was published when the EU's trade policy was increasingly politicised mainly due to the negotiations of the Transatlantic Trade and Investment Partnership (TTIP), aspires to be a more responsible trade and investment policy. It therefore dedicates a chapter to a trade policy based on such values, in which it commits to a trade agenda promoting sustainable development, human rights and good governance. Several avenues are suggested to achieve this goal, including the improvement and implementation of existing trade instruments such as GSP+ and the T&SD chapters mentioned above, fair and ethical trade schemes, and responsible management of supply chains. Even though the commitments described in this new strategy are very ambitious, it is currently too early to tell how successful and meaningful these will be.

Moreover, the EU has developed several initiatives to address the negative consequences of specific products and supply chains (see Box 15.3). These are based on a mix of policies (trade, development, internal market and environment) and approaches (trade conditionality, reporting obligations, multi-stakeholder dialogue) and aim at improving social, environmental and human rights causes. These initiatives touch upon sensitive and complex issues and most of them display implementation difficulties.

Finally, even though the EU, and the Commission in particular, has confirmed on several occasions its 'hands-off approach' towards fairtrade labelling, this interpretation of Fair Trade has remained on the EU's agenda. The EU does not intend to play a role in the elaboration of fair trade criteria and their monitoring, since, according to the Commission, their interference would jeopardise the dynamism that private fair trade labelling initiatives have displayed (European Commission, 2009; Malmström, 2015). However the EU seems willing to create a supportive environment for the advancement of fairtrade. First, fairtrade has been given more attention in the EU public procurement policy. Dynamics created by EU member states that proved to be more ambitious in including fair trade criteria in public tenders and a number of European Court of Justice rulings in favour of this approach (Cremona & Marín Durán, 2013) have led to clearer provisions on social criteria in the latest 2014 EU public procurement regulations. Second, the Trade for All strategy dedicated considerable attention to promoting fair and ethical trade schemes. As such, DG Trade has committed to the promotion of

### BOX 15.3 SUPPLY-CHAIN-SPECIFIC EU INITIATIVES

**Timber:** The FLEGT (Forest Law Enforcement, Governance and Trade) Action Plan adopted in 2003 comprises development cooperation, trade agreements between the EU and timber-producing countries, public procurement, private sector and civil society involvement and more, in order to combat illegal logging and strengthen forest governance. Concrete progress has been slow, as most interested timber-producing countries are still in the negotiation phase. So far only Indonesia, Cameroon, Central Africa, Ghana, Liberia and the Republic of Congo are implementing the trade agreements enabling the FLEGT Action Plan.

**The garment industry:** Following the Rana Plaza tragedy in 2013, the Bangladesh Sustainability Compact was launched, involving the EU, Bangladesh, the US, Canada and the ILO. Its aim is to improve respect for labour rights, factory safety and responsible business conduct in the sector. If successful, this distinct, multi-stakeholder approach might become exemplary in a context where increasing attention is given to the need for sustainable supply chains. However, so far tangible results are few and critical voices have highlighted the failure of Bangladesh to comply with the compact and the absence of changes on the ground. In April 2017, the European Parliament called for binding legislation and has urged the Commission to deliver on its objectives.

**Conflict minerals:** Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017 (OJ L 130, 19.5.2017, pp. 1–20; see <http://eur-lex.europa.eu/eli/reg/2017/821/oj>) aims at breaking the vicious cycle between trade in minerals (more specifically tin, tantalum, tungsten and gold) and the financing of conflicts. The resolution results from a balancing act between the positions of the European Commission and European Council (voluntary guidelines) and the Parliament (binding rules). It contains a mixed approach with binding requirements for upstream companies (mines, processors, traders, smelters and refiners) and recommendations for downstream companies (EU manufacturers).

In addition, measures are being taken to fight **wildlife trafficking** and trade in **tools for torture and executions**.

fairtrade through EU FTAs, the EU Aid for Trade strategy and EU delegations. Market data related to fairtrade are to be gathered and more awareness-raising activities will be developed. In this context an ‘EU cities for fair & ethical trade award’ is currently being developed.

In essence, the EU has radicalised its neoliberal free trade orientation while at the same time initiating several initiatives to offset the negative consequences of such free trade. Current Trade Commissioner Malmström recently summarized this approach during a speech (2017) by stating the following:

Our trade and investment policy helps a fair global system. For trade to be fair, all players need to play by the rules. By engaging with our partners, we try to set those common rules, and shape globalisation. It helps the poorest on the planet to develop, through the economic partnership agreements and asymmetric preferences we provide.

It helps to anchor our values. We have a new EU regulation on trade in conflict minerals, and in products used for torture and the death penalty.

And our trade agreements include significant, binding commitments to strengthen labour rights and environmental protection. . . .

For trade and investment policy to be open and fair, it must be conducted in a transparent and responsible manner. (p. 3)

This citation clearly contains references to both the revolutionary undistorted free trade position as well as the revisionist regulated fair trade position. The latter is implemented through a piecemeal approach in which ad hoc initiatives are set up rather than a coherent and consistent policy.

### 15.5 CONCLUSION

In order to better understand the diverse meanings of Fair Trade, we developed a framework depicting how narrow revisionist ‘fairtrade’ and broad revolutionary ‘Fair Trade’ views on the one hand, and limited or larger roles for governmental intervention on the other hand, result in four different interpretations: regulated fairtrade; market-based fairtrade; NIEO Fair Trade; and undistorted free trade (see Figure 15.1).

This framework has served as a heuristic tool to interpret the EU’s position concerning Fair Trade (see Figure 15.2). Whereas the EU briefly flirted with the NIEO Fair Trade option through beneficial market access, export stabilisation and commodity protocols in the 1970s, the general neoliberal shift in Western politics in the 1980s and 1990s was also translated into EU trade policy. Around the hinge of the new millennium, the EU started to profile itself as the leading force in favour of a more ‘harnessed globalisation’ and as a development-friendly international actor. However, the initiatives put forward fitted mostly in both revisionist and revolutionary neoliberal trade policy, in which trade rules would not fundamentally challenge the outcome of the status quo. Besides, the commitments made in EU policy documents and the discourse engaged in towards ‘fairtrade’ and ‘Fair Trade’ were not translated into concrete action. This neoliberal tendency became

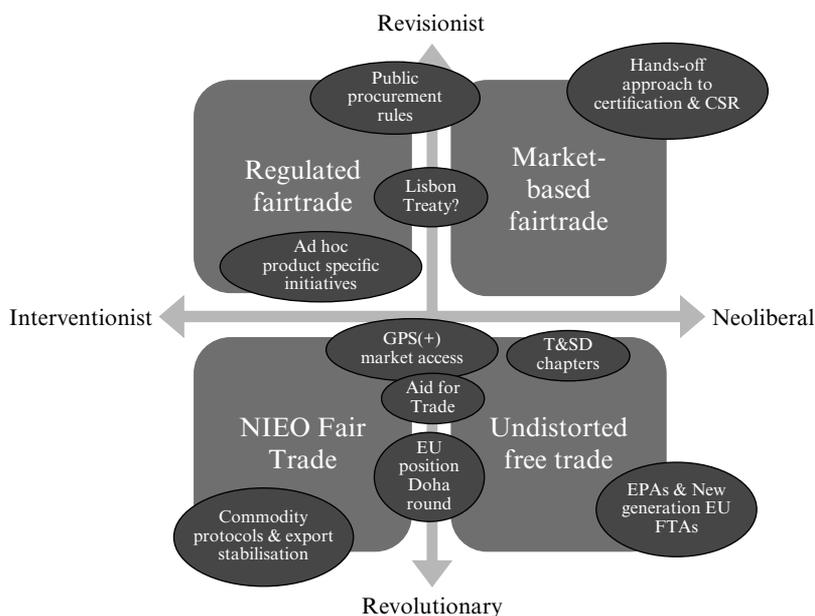


Figure 15.2 *EU positions on Fair Trade*

radicalised from the mid-2000s until today, resulting in an ever-greater emphasis on trade liberalisation and reciprocity. Even though Fair Trade objectives, and especially those related to sustainable development, are still part of the EU's trade agenda, these follow a piecemeal approach and do not question or challenge but rather reinforce the prevalence of the neoliberal trade system.

At first glance the combination of 'undistorted free trade' with 'regulated' and 'market-based fairtrade' might seem paradoxical. However, this development can be interpreted in two different ways. First, the current hotchpotch of initiatives might be considered to be a steppingstone towards a more coherent and effective approach to achieving Fair Trade. Second, the combination of increased emphasis on sustainable development and the creation of different initiatives to achieve this objective through trade combined with a compelling neoliberal trade policy might represent two sides of the same coin. In this case the sustainable development discourse and ad hoc initiatives are just palliative measures which help to legitimise the neoliberal trade policy.

Time will tell whether references to 'fair trade' in the Lisbon Treaty and the 'Trade for All' strategy will eventually contribute to a radical change in the current neoliberal trade system, and otherwise whether the current revisionist fair trade policy approaches will be considered fair by the population in Europe and its trading partners.

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