

## **Justshare: "Can the Market Deliver Fair Trade?"**

### **28th April 2003**

I warmly welcome this initiative. Our second international development white paper, "Making Globalisation Work for the Poor", referred to "supporting the groups which are helping the poor speak with a stronger voice" and made the point that "religious organisations are particularly close to the poor". That is a closeness we want to see working to the advantage of the poor, and this initiative is one avenue for that to occur.

I am not going to argue today that the market alone can deliver fair trade. The question is rather whether the existing world system can deliver fair trade, and the chance of a decent future for the world's poor. The market - capitalism - globalisation - Governments - the World Trade Organisation. The question is whether that framework can deliver fair trade. And the answer has to be yes. Because, in its essentials, that framework is not going to change very much. There is not an alternative on offer. So we have to focus all of our energy on making the system deliver, on making - as we expressed it in the title of our white paper two years ago- on making globalisation work for the poor. It can be done, and it must be.

Today, over a billion people live in abject poverty. Few of their countries have the opportunities they need to grow their economies and trade their way out of poverty. We all pay dearly for protectionism. The World Bank has estimated that the annual welfare gains from eliminating barriers to merchandised trade range from US\$250 billion to \$620 billion. Up to half of these gains would accrue to developing countries. In terms of poverty reduction, this could lift over 300 million people out of poverty by 2015. The boost to developing countries' incomes is estimated at around three times the value of all aid budgets put together. That is the scale of the gains which the system could deliver - that globalisation could deliver - if we can manage the decision making successfully over these next few months.

If it is well managed, then the benefits of globalisation for poor people and countries can substantially outweigh the costs, especially in the longer term. Rapid integration in the world economy and advances in technology and science are sustaining a high level of global prosperity. Millions of people have been lifted out of poverty. With the right policies, millions more can be in the years ahead.

It is not inevitable that globalisation will work well for the poor. It certainly is not inevitable that it will work against them. It all depends on the policies that governments and international institutions pursue. We need developing countries, developed countries, international institutions, the private sector and non government organisations to exploit better its opportunities and manage its risks.

### **WTO negotiations**

It is striking that the gains to be had for developing countries from agricultural liberalisation form the lion's share of the overall benefits anticipated from eliminating trade barriers. This is key to delivering the aims of the development round of multilateral trade talks launched at the Ministerial Conference of the World Trade Organisation at Doha in November 2001.

Three-quarters of the world's poor live in rural areas. Agriculture accounts for about 50% of employment in developing countries. The World Bank and IMF estimate that the liberalisation of agriculture trade would boost developing

country exports by at least US\$30 billion a year and possibly by as much as US\$100 billion. In Africa this could mean an increase of a nearly 1% growth in GDP annually across the continent - a very important contribution towards raising growth to the 7% per annum needed for the continent to reach the goal of halving poverty by 2015. Increased investment and access to enhanced technologies would magnify these benefits still further.

Developing countries are damaged by the trade distorting agriculture subsidies used in developed countries today. But greater protectionism by developing countries is not the answer. Taking that road would limit the opportunities for poor countries to trade with each other and with developed countries, excluding them further from the benefits of international trade.

Some will say "don't liberalise" because liberalisation will create losers as well as winners. That is true. But if a small number benefit and the poor do not, this is creating a barrier to improved livelihoods for the poor. The solution is to adopt policies that benefit the poor and put in place complementary policies to protect the losers in the transition and ensure continued support for reform. Development institutions and the trade community need to work together to ensure careful sequencing of reforms, support for restructuring and proper regard for food security concerns.

The WTO agreement on agriculture provides for substantive negotiations on the further liberalisation of global agricultural trade and reform of the Common Agricultural Policy (CAP). In particular, we have agreed to negotiate on reductions in export subsidies with a view to phasing them out; on improvements in market access; and reductions in trade distorting domestic support. Liberalisation in agriculture will bring important new trading opportunities for developing countries in an area of particular benefit to them. Significant liberalisation in this area is essential if the Doha Development Agenda is to be a true development round. We will in the UK remain at the forefront of those arguing for real progress in this area.

It is not only in agriculture that we need progress. On market access, on patents, on services and in improving the internal and external transparency of the WTO itself - in all these areas we need to make substantial progress. It can be done - it needs determination on everybody's part to deliver it.

### **Corporate Social Responsibility**

In the meantime, there is a great deal for all of us to be doing.

There are some very interesting examples of companies coming together voluntarily and imposing a code of responsible conduct on themselves. For example, the Ethical Trading Initiative, including major UK retailers turning over between them more than £100 billion, has drawn up a base code for all their suppliers to comply with, in every part of the world. The code is based on the principles set out by the International Labour Organisation - and it stipulates for example that every employee in a supplier company should be free to join a trade union, is paid in accordance with a fair minimum wage for that country and so on. This is proving a very effective way to raise standards of employment in developing countries. There is a rigorous enforcement procedure, and if companies do not meet their obligations then they will be ejected from the Initiative.

Clare Short has pointed out that developing countries have 90% of the world market in cocoa beans, 44% of the world market in cocoa liquor, 38% of cocoa butter, 29% of cocoa powder and just 4% of global chocolate production. We need to increase the value captured by developing countries. So the Fairtrade Foundation sets out what it describes as a fair price for a range of goods - above the market price, and stable - so that whatever the conditions in the international market growers will receive a price for their produce which will enable them to make ends meet and provide adequately for their families. In the DTI, we now insist that all the coffee we buy is Fair Trade coffee, and we are encouraging companies to take the same approach.

Traidcraft which is a plc entirely committed to fairly traded products and has had some success in selling their Geobars through supermarkets. It turned over just over £10 million last year - half of that still earned through sales by church volunteers, but with growing commercial sales. Over a quarter of their turnover last year came from the supermarkets, mainly the Geobars. It is an interesting example of new commercial opportunities emerging from a purely social impulse - and a great example as well of how ordinary people in their own communities can make a contribution to tackling these challenges for the benefit of the poor. Consumers demanding high standards and insisting on fair trade are part of this market, and part of the answer to bringing about the changes that we need.

## **Conclusion**

In Government we welcome the pressure from the Trade Justice Campaign and others. We share the view that the international trade rules should work for the benefit of developing countries. We want to continue working with the non government organisations raising these issues because they are providing insights which more governmental channels cannot. NGOs took part in the conference in Doha, and we welcomed that in particular. From our point of view, the more public attention is focused on these issues, in the UK, the European Union and around the world, and the louder the calls for justice in world trade, the better.

The system can be made to work for the poor and to deliver fair trade. It is or only chance. We have to make sure that it does deliver, and there is no time to lose.

***Thank you.***