



## DEBATE PACK

Number CDP 2020/0048, 9 March 2020

# Trade deals and fair trade

By Matthew Ward

## Summary

A Westminster Hall debate on 'Trade deals and fair trade' has been scheduled for Wednesday 11 March 2020 at 9:30 am.

The debate has been initiated by Geraint Davies MP.

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The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

# 1. Background

## 1.1 What is meant by fair trade?

As a general term, 'fair trade' refers broadly to a concept and social movement encouraging the promotion of greater equity in trading relationships between the developed and developing worlds. This is based on the belief that conventional trading practices promote and perpetuate inequality between developed and developing countries.

In practice, this consists of helping producers in developing countries achieve better trading conditions through paying sustainable prices to and developing long-term relationships with suppliers, with the overall aim of poverty reduction and promoting sustainable development.

Some different terms are used in describing 'fair trade':

- **'Fairtrade'** (one word) refers to [Fairtrade International](#) – this is an organisation of producer networks and Fairtrade organisations (including the [British Fairtrade Foundation](#)) that seeks to promote fair trading practices. Products that reach Fairtrade's standards are marketed with the FAIRTRADE certification.
- **'Fair Trade'** (two words, both capitalised) refers more generally to the practice of equitable trading and is the umbrella term "for the philosophies and practices committed to fairness in global trade."<sup>1</sup>

Fair Trade is defined by the World Fair Trade Organisation (WFTO) in the document [A Charter of Fair Trade Principles](#) as:

... a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.

Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.<sup>2</sup>

The WFTO have defined the following as "the 10 principles of Fair Trade":

- Creating Opportunities for Economically Disadvantaged Producers
- Transparency and Accountability
- Fair Trading Practices
- Payment of a Fair Price
- Ensuring no Child Labour and Forced Labour
- Adhering to the United Nations (UN) Convention on children's rights.

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<sup>1</sup> Deborah Martens and Jan Orbie, [The European Union and Fair Trade: hands off?](#) September 2018, pg. 282

<sup>2</sup> WFTO, [A Charter of Fair Trade Principles](#), 2009, pg. 6

- Ensuring Good Working Conditions
- Providing Capacity Building
- Promoting Fair Trade
- Respect for the Environment.<sup>3</sup>

'Fair Trade' is understood to include "both Fairtrade and other products which do not have the FAIRTRADE Mark" and is often used synonymously with other terms, such as trade justice, ethical trade, alternative trade and sustainable trade.<sup>4</sup>

## 1.2 Current trade relationships with developing countries

As a member of the single market and customs union, the UK's trade policy has in the past been largely determined by the EU, with trade agreements negotiated by the European Commission on behalf of EU Member States.

Under the Generalised Scheme of Preferences (GSP), EU imports from developing nations are charged either no tariffs or reduced tariffs, with the aim of helping developing countries "alleviate poverty and create jobs based on international values and principles, including labour and human rights."<sup>5</sup>

There are three different schemes:

- **Standard GSP** – this covers low and lower-middle income countries and involves a "a partial or full removal of customs duties on two thirds of tariff lines." Currently, this scheme covers 15 countries.
- **GSP+** - this incentivises "sustainable development and good governance" by removing tariffs for vulnerable low and lower-middle income countries that implement "27 international conventions related to human rights, labour rights, protection of the environment and good governance." Currently, this scheme covers 8 countries.
- **EBA (Everything But Arms)** – this is open to least developed countries, providing duty-free, quota-free access for all products barring arms and ammunition. Currently, this scheme covers 48 countries.

A full list of the 61 countries covered by these three schemes is [published by the European Commission](#).

The UK will continue to apply the EU GSP until 31 December 2020 and will apply the UK GSP from 1 January 2021, which will "continue to provide trade preferences to the same countries as the EU's GSP."<sup>6</sup>

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<sup>3</sup> WFTO, [The 10 Principles of Fair Trade](#)

<sup>4</sup> CDEC, '[Fairtrade' and 'Fair Trade' - What is the difference?](#) 4 February 2019

<sup>5</sup> European Commission, [Generalised Scheme of Preferences](#)

<sup>6</sup> Department for International Trade, [Trading with developing nations](#), 30 January 2020

In 2018, UK imports from these countries were worth £32.5 billion – this was just under 5% of the UK’s total imports.

The EU also trades with developing countries under [Economic Partnership Agreements](#) (EPAs) – these are a form of trade agreement between the EU and a number of African, Caribbean and Pacific (ACP) countries that provide tariff and quota free access to EU markets.

Combined, ACP countries covered by EU EPAs accounted for just under 1.5% of the UK’s imports in 2018, worth £9.2 billion. To date, the UK has rolled over the vast majority of these existing EU trade agreements into broadly equivalent UK trade agreements.

### 1.3 Trade deals and Fair Trade

Some individuals and organisations have criticised EU trade agreements with and policies toward developing countries as giving insufficient priority to the idea of Fair Trade and have called on UK trade deals post-Brexit to have a greater focus on Fair Trade.

The academics Deborah Martens and Jan Orbie have argued EU trade policy has not delivered successful outcomes in terms of Fair Trade:

... the commitments made in EU policy documents and the discourse engaged in towards ‘fairtrade’ and ‘Fair Trade’ were not translated into concrete action... 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...<sup>7</sup>

The Fairtrade Foundation have argued that any “future free trade deals between the UK and countries with larger economies may have an impact on other developing countries” and that the UK’s future trade policy “should have development objectives at its heart.”<sup>8</sup>

Traidcraft, have argued that the UK government should use the opportunity of the UK leaving the EU to “redefine the UK’s approach to trade and ensure that sustainable development is at the heart of UK trade policy. If the government simply attempts to replicate the existing EU trade regime with developing countries, it would have ceded an opportunity to lead the world in introducing pro-development trade policy.”<sup>9</sup>

A 2018 [report by the House of Commons International Trade Committee](#) on transparency and scrutiny of UK trade policy states that as the UK develops an independent trade policy “it is essential that Parliament has a meaningful role throughout the process... This will result in fairer trade outcomes, due to clear and direct input from Parliament, with its Members representing the views of those that stand to be affected.”<sup>10</sup>

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<sup>7</sup> Deborah Martens and Jan Orbie, [The European Union and Fair Trade: hands off?](#) September 2018, pg. 292-93

<sup>8</sup> Fairtrade Foundation, [Delivering a Fair Trade Brexit](#), September 2018

<sup>9</sup> Traidcraft, [Post-Brexit Trade Options for continued and improved market access arrangements for developing countries](#), February 2017, pg. 16

<sup>10</sup> House of Commons International Trade Committee, UK trade policy transparency and scrutiny, HC 1043, December 2018, pg. 8

## 2. Press Articles

[Fair enough? The EU's guilty neglect of fair trade](#)

Deborah Martens and Jan Orbie

Euractiv, 11 October 2019

[Is fair trade finished?](#)

Samanth Subramanian

The Guardian, 23 July 2019

[Brexit: UK 'forcing poor nations into risky trade deals': Ministers accused of pressure on developing nations to 'sign up blind' – without knowing if rollover deals will prove to be second-rate](#)

Rob Merrick

The Independent, 8 February 2019

[Free trade deals for 'poorest countries' to be maintained post-Brexit](#)

BBC, 25 June 2017

[Fairtrade campaigners fear Brexit impact](#)

BBC, 27 February 2017

## 3. Parliamentary material

### 3.1 Debates

#### [Future Free Trade Agreements](#)

HC Deb 21 February 2019, c 1619-90

#### [Traidcraft and Fair Trade](#)

HC Deb 18 December 2018, c 209WH-230WH

#### [Ending Exploitation in Supermarket Supply Chains](#)

HC Deb 18 October 2018, c 820-844

#### [Fairly Traded Goods](#)

HC Deb 7 March 2018, c 150WH-156WH

### 3.2 Written questions

#### [Department for International Development: Developing Countries: Poverty: 21130](#)

**Asked by Gareth Thomas (Harrow West)**

**Asked on 26 February 2020**

To ask the Secretary of State for International Development, what steps the Government is taking to help to tackle global poverty through Fairtrade principles.

**Answered by Nigel Adams**

**Answered on 04 March 2020**

The UK government is committed to tackle global poverty through the Fairtrade principles of decent working conditions and fair terms of trade for farmers and workers in the developing world. These principles are included throughout our work and show that between 2015/16 and 2018/19 we have supported 3.9 million people to raise their incomes or obtain or maintain better jobs or livelihoods.

The UK government has also been a strong supporter of the Fairtrade Foundation. DFID provided £20 million to Fairtrade International between 2010 and 2016 to make the global Fairtrade system stronger, including activities to improve traceability and transparent reporting within Fairtrade tea, coffee and cocoa supply chains. DFID also supported Fairtrade through the £30.3 million Responsible Accountable and Transparent Enterprise programme, funding Fairtrade to help them develop Fairtrace, a supply chain mapping tool. The UK government continues to be a vocal champion of their work.

**Department for International Trade: Trade: Ethics: 290448**

**Asked by Faisal Rashid (Warrington South)**

**Asked on 24 September 2019**

To ask the Secretary of State for International Trade, what plans he has to develop fair and ethical trade.

**Answered by Conor Burns**

**Answered on 01 October 2019**

As outlined in the White Paper, Preparing for our future UK trade policy, the Government is committed to a fair and rules-based approach to international trade. The UK has long supported the promotion of our values globally and this will continue as we leave the European Union.

The Department for International Trade and the Department for International Development are working together to ensure development and global prosperity are at the heart of UK trade and investment policy. We do this in several ways, including:

- enhancing market access for poor countries through our trading arrangements;
- ensuring that they can take advantage of this access through trade-related assistance (Aid for Trade); and
- using our voice in organisations like the World Trade Organisation to argue for better and fairer trading rules for developing countries.
- The Government will pursue economic prosperity for the UK and lead by example through our pursuit of free and fair trade.

**Department for International Development: Supermarkets: Fairtrade Initiative: 220218**

**Asked by Jim Shannon (Strangford)**

**Asked on 12 February 2019**

To ask the Secretary of State for International Development, what support her Department provides to Fair Trade companies as part of its work to tackle human and labour rights abuses in the global supply chains of UK supermarkets.

**Answered by Harriett Baldwin**

**Answered on 18 February 2019**

The UK government is a strong supporter of the Fairtrade movement, which plays an important role in helping producers around the world improve their lives through receiving fair prices for their products.

Between 2010 and 2018, the Department for International Development invested over £20.2m into Fairtrade and the UK was the first country to produce a National Action Plan for the implementation of the UN Guiding Principles on Business and Human Rights.

DFID has funded the development of Fairtrace, a technology-based supply chain mapping tool which has helped Fairtrade to broaden their

commercial customer base. The tool has been used by major UK businesses such as The Co-op and Ben & Jerry's. In 2017, Fairtrade helped 7 major brands to map their supply chains; illustrating journeys from over 191 producer groups in over 23 countries.

The UK government will continue to champion this agenda as part of our commitment to improving the lives of smallholder farmers and to a free, fair and transparent trade system that helps lift developing countries out of poverty.

**[Department for International Development: Overseas Trade: 217634](#)**

**Asked by Stephen Morgan (Portsmouth South)**

**Asked on 07 February 2019**

To ask the Secretary of State for International Development, whether he plans to incorporate living income as defined by the Living Income Community of Practice into the Government's business and human rights policies; and what steps he will take to incorporate fair prices into his policies to deliver improved human rights in supply chains.

**Answered by Harriett Baldwin**

**Answered on 14 February 2019**

The Department for International Development (DFID) is a long-term supporter of the ISEAL Alliance, the umbrella organisation for standards systems such as Fairtrade and one of the founding members of the Living Income Community of Practice. We support efforts that work towards a living income in global supply chains.

The UK was the first country to produce a National Action Plan for the implementation of the UN Guiding Principles on Business and Human Rights, demonstrating a high level of commitment that will feed into any future trade policy. We are committed to upholding the UK's values, including around labour standards, and will consider the full range of mechanisms available in the design of future trade and investment agreements.

**[Department for International Development: Business: Fairtrade Initiative: 217636](#)**

**Asked by Stephen Morgan (Portsmouth South)**

**Asked on 06 February 2019**

To ask the Secretary of State for International Development, what steps her Department is taking to encourage businesses throughout the UK to purchase Fairtrade products.

**Answered by Harriett Baldwin**

**Answered on 11 February 2019**



The UK government is a strong supporter of the Fairtrade movement, which plays an important role in helping producers around the world improve their lives through receiving fair prices for their products. Between 2010 and 2018, the Department for International Development invested over £20.2m into Fairtrade.

DFID has funded the development of Fairtrace, a technology-based supply chain mapping tool which has helped Fairtrade to broaden their commercial customer base. The tool has been used by major UK businesses such as The Co-op and Ben & Jerry's. In 2017, Fairtrace helped 7 major brands to map their supply chains; illustrating journeys from over 191 producer groups in over 23 countries.

The UK government will continue to champion this agenda as part of our commitment to improving the lives of smallholder farmers and to a free, fair and transparent trade system that helps lift developing countries out of poverty.

**[Department for International Trade: Overseas Trade: 203425](#)**

**Asked by Chi Onwurah (Newcastle upon Tyne Central)**

**Asked on: 18 December 2018**

To ask the Secretary of State for International Trade, what steps the Government is taking to encourage UK businesses to increase the transparency and visibility of their global supply chains.

**Answered by Graham Stuart**

**Answered on 21 December 2018**

The UK is party to a number of international agreements that support greater transparency and higher ethical standards in global supply chains. These include the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and the UN Global Compact. The government also supports initiatives led by business or NGOs such as the Corporate Human Rights Benchmark and the Fairtrade movement. The Modern Slavery Act 2015 also requires that all large businesses produce an annual statement explaining what they have done to prevent modern slavery in their business and supply chains.

**[Department for International Trade: Cocoa: Fairtrade Initiative: 160745](#)**

**Asked by Jim Shannon (Strangford)**

**Asked on 04 July 2018**

To ask the Secretary of State for International Trade, what discussions he has had with representatives of Governments of cocoa producing countries on the introduction of fair trade policies for cocoa producers.

**Answered by George Hollingbery**

**Answered on 12 July 2018**

The UK remains committed to free and fair trade, and using trade to promote global development and poverty reduction. As the UK leaves the European Union, our first priority is to ensure continuity in our trading relationships, including cocoa producers. This includes discussions with the likes of Ghana and Cote d'Ivoire about replicating the effects of the EU's Economic Partnership Agreements (EPAs) to continue to provide duty-free access to the UK for products including cocoa. The Government has also committed to continue to unilaterally provide preferential market access to around 70 other developing countries including some that produce cocoa. In the future, we will look to further deepen our trading relationships with these partners.

### 3.3 Oral questions

#### Global Free Trade

**Mr Mark Prisk (Hertford and Stortford) (Con):** What recent assessment his Department has made of the value of global free trade to developing countries. [R] [911192]

**The Secretary of State for International Trade and President of the Board of Trade (Dr Liam Fox):** Free trade is a driver of economic growth that can trigger positive changes in a country's economy, helping to raise incomes, create jobs and lift people out of poverty. The poorest countries have enjoyed some of the benefits of global free trade through receiving preferential access to the UK, the world's fifth-biggest market.

**Mr Prisk:** I thank the Secretary of State for his answer. However, the risk of protectionism is growing and that threatens both free trade and the millions of jobs in developing countries that come with it. May I therefore urge the Secretary of State and his colleagues actively to oppose protectionism, particularly at the WTO and indeed when expressed in this Chamber, so that we can ensure that more of the world's poorer citizens benefit by trading themselves out of poverty?

**Dr Fox:** Those countries that have benefited from free and open trade, and enjoy the prosperity that we do today, have not only a duty economically to ensure the best outcomes but a moral duty to ensure that those in developing countries are able to benefit from the same trading systems that we have. Simply to say that we are more advanced and are pulling up the ladder behind us would be a betrayal of all those who have believed in free trade and practised it in recent years.

**Patrick Grady (Glasgow North) (SNP):** Does the Secretary of State agree that if it is going to end poverty, free trade also has to be fair trade? What steps are the Government taking to ensure that trade deals, whether through the WTO, the European Union or bilaterally, are checked against the sustainable development goals to make sure that they are poverty and development-proofed?

**Dr Fox:** The Government take those elements extremely seriously, which is why we actually seek a closer alignment between our trade and development policies. For example, we are able to invest in countries to give them greater capability to add value to their primary produce, while

at the same time potentially being able to take advantage of tariff reduction to increase market access. By bringing the two together, that can be synergistic for this country and for developing countries.

**Mr Speaker:** A notable Northamptonshire contest. I call Mr Peter Bone.

**Mr Bone:** Thank you, Mr Speaker. Does the Secretary of State agree that the European Union is an inward-looking protectionist trading bloc that acts to the detriment of developing countries?

**Dr Fox:** I certainly believe that the European Union's common external tariff provides barriers to trade for many developing countries, so they are unable to take advantage of adding value to their primary produce. One of the advantages of leaving the European Union will be that Britain will have the ability to reduce tariffs to enable greater access for some of the poorest countries.

**HC Deb 6 June 2019, c 249-50**

### [Leaving the EU: Workers' Rights and Fair Trade](#)

**Thangam Debbonaire (Bristol West) (Lab):** What steps he is taking to ensure that the principles of fair trade, workers' rights and environmental protection are included in future trade agreements after the UK leaves the EU.

**The Minister for Trade Policy (Greg Hands):** The UK has long supported the promotion of our values globally, including successfully supporting workers' rights and environmental protections as a member of the EU, and the UK will continue to play a leading role on these as we leave the EU. We are committed to upholding the UK's high standards; our prosperity benefits from us reinforcing these high standards, not abandoning them.

**Thangam Debbonaire:** I am glad that the White Paper mentions respecting the role of Parliament, but to protect workers' rights, fair trade and environmental rules, will the Minister now guarantee to transfer to this House the rights that our elected representatives in the European Parliament have to scrutinise, debate, amend and vote on trade agreements?

**Greg Hands:** The Government have been absolutely clear on the importance of this House and this Parliament scrutinising trade agreements. There is an irony in the hon. Lady's question. Only last month, she voted against the European Union (Withdrawal) Bill, which would write into domestic legislation 40 years of workers' rights and environmental protection coming from Europe. She did not want to see that transfer. She even whipped her own side to vote against the Bill. Today, she is calling for us to introduce European procedures. I think her actions speak louder than her words.

**HC Deb 12 October 2017, c 429**

## 4. Further reading

[Brexit: implications for developing countries](#)

United Nations Conference on Trade and Development, April 2019

[Trade and the Commonwealth: developing countries](#)

House of Commons International Trade Committee, November 2018

[The European Union and Fair Trade: hands off?](#)

Deborah Martens and Jan Orbie; published in Khorana & García (Eds.) (2018), Handbook on the EU and International Trade Cheltenham: Edward Elgar, 2018

[Delivering a 'Fairtrade Brexit'?](#)

Fairtrade Foundation, September 2018

[The Stakes of Trade Policy: domestic and global inequalities](#)

LSE, March 2018

[Brexit: Let's change trade for good](#)

Fairtrade Foundation and Traidcraft, March 2017

[How Brexit might effect UK fair trade policy?](#)

UK in a Changing Europe, February 2017

[Post-Brexit Trade Options for continued and improved market access arrangements for developing countries](#)

Traidcraft, February 2017

[UK trade with developing countries after Brexit](#)

UK Trade Policy Observatory, University of Sussex, October 2016

[The impact of the UK's post-Brexit trade policy on development](#)

Overseas Development Institute and UK Trade Policy Observatory, University of Sussex, September 2016

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