

Promoting sustainable value chains by linking SMEs to Fair Trade producers in the Global South'

European Parliament, Brussels, 10 May 2017

Workshop & panel report

Introduction

More and more EU consumers are aware about the impact of their consumption patterns and willing to buy sustainably produced products. At the other side of value chains, 2.5 million Fair Trade producers in Asia, Latin America, the Caribbean and Africa are investing in sustainable production patterns, but not always able to sell their products in the fair and ethical trade market. This shows that there are some market failures in connecting the growing offer and demand for fairly produced products. What innovative ways could the EU put in place to facilitate trading partnerships between SMEs that want to source sustainably and Fair Trade producers?



MEP Dita Charanzová (ALDE), MEP Bernd Lange (S&D), Ms Jane Katahwire Mbabazi, and Ms. Eva Smulders

On 10 May 2017, the Chair of the European Parliament Committee on International Trade, Bernd Lange (S&D, Germany), and the Vice-Chair of the European Parliament Committee on the Internal Market and Consumer Protection, Dita Charanzova (ALDE, Czech Republic), co-hosted the European Parliament Conference 'Promoting sustainable value chains by linking Small and Medium Enterprises (SMEs) to Fair Trade producers in the Global South'.

The event brought together Southern countries' Embassies, EU and Member States' policy makers, Fair Trade actors, and SMEs representatives from different EU countries.

Workshop: Linking Fair Trade producers to SMEs: existing initiatives and challenges

1. Opening by MEP Bernd Lange, Chair of the European Parliament Committee on International Trade

- In order to promote sustainable value chains and sustainable development, both in the Global North and the Global South, there is the need to build more synergies between trade and development policy agendas. Linking EU SMEs and Fair Trade actors in the Global South is a concrete way to combine development and trade policy objectives, at EU and national level
- Therefore, the meeting wants to explore innovative ways to facilitate trading partnerships between SMEs that want to source sustainably and Fair Trade producers
- The initiative will feed the debate which will take place on 29 August 2017 at the European Parliament Fair Trade Breakfast with EU Ambassadors. Hosted by MEP Lange, the meeting will explore ways for EU Delegations to promote the uptake of Fair Trade in the Global South

2. The producers' perspective: a case study from Uganda

Ms Jane Katahwire Mbabazi, Vice Chair of the Ankole Coffee Producers Cooperative Limited (ACPCU)

Fair Trade helped [ACPCU](#) to:

- get better prices for its coffee
- invest in households and the community
- invest in quality enhancement through the construction of modern processing facilities
- access to short and long-term loans
- provide over 150 people, majority being women, with favorable employment and civic participation opportunities

- **However:**
- Only 40% of ACPCU production goes to the Fair Trade market
- The fact that 60% of the products goes to the conventional market makes it difficult for farmers to invest in the production and the farmers' empowerment



Ms Jane Katahwire Mbabazi, MEP Bernd Lange, and Mr Sergi Corbalán

3. The SMEs' perspective: a case study from Italian SMEs sourcing from Fair Trade

Ms Silvia Fontana, Marketing Manager at GALA Cosmetici

Since 2004, [GALA Cosmetici](#), Italian SME specialised in natural cosmetics, cooperates with the Italian Fair Trade organisation 'Altromercato' to produce the [Naty product lyne](#) which offers a complete range of products (cleansers, make-up removers, milks, exfoliants, deodorants, after-shaves, bath oils, etc.) with at least 50% of Fair Trade ingredients.

What are the advantages to partner with Fair Trade?

- Image and reputation improvement
- Innovation and Process Improvement
- Turnover (18% of our total turnover)

What are the challenges?

- Difficulties in connecting with producers
- Quality of the raw materials
- Low consumers' awareness on Fair Trade

Ms Eleonora Dal Zotto, General Manager at [Equo Garantito](#)

About 120 Italian SMEs cooperate with Fair Trade.

SMEs see the partnership with Fair Trade as a way:

- To contribute to their CSR objectives
- To answer to consumers' demand for sustainable products

However, it is difficult for Fair Trade actors to:

- Reach a great number of SMEs

- Communicate effectively with SMEs about the potential to cooperate with Fair Trade

4. Brazilian experience in connecting sustainable Brazilian businesses with the international market

Ms Emily Rees, Head of EU Affairs at the Brazilian trade and investment promotion agency (Apex-Brasil)

[Apex-Brasil](#) presented the [Innovation and Sustainability in Global Value Chains Programme \(ICV Global\)](#), aiming to support micro, small and medium Brazilian companies to enter GVCs by turning their entrenched sustainability into a unique selling point.

The companies selected to take part in ICV Global, such as [Beraca](#), benefited from a comprehensive mentoring programme by sustainable companies that successfully entered the international market.

In supporting the development of sustainable SMEs in Brazil, Apex-Brasil spotted two fundamental challenges to their insertion into GVCs:

- For the smaller producers, who strive to enter the export market, certification can be perceived as burdensome and not enough to ensure acceptance in their different key markets. Producers already present in the international market were the ones most likely to acquire Fair Trade certification, but as a premium. Access is therefore a driver for the adoption of certification, and often not the consequence of it.
- It is often the case that tariff levels rise together with the level of aggregated value of a given product. This has negative consequences for SMEs and an impact along the entire production chain. In simple terms, tariffs often preclude producers from securing their fair share of value in the production chain.

Ms Eva Smulders, CSR Manager at the Dutch Centre for the Promotion of Imports, agency of the Dutch Ministry of Foreign Affairs

[CBI](#) presented the [Nepal Fair Trade Finest Project](#) which aims to support the matchmaking between Dutch importers and Fair Trade actors in the Global South. The purpose of the project is, more specifically, to help Fair Trade actors to reach the EU market by providing them with support in terms of training, coaching, and market access.

By training and coaching Fair Trade actors in the Global South, CBI learned that Fair Trade actors:

- Lack specific knowledge on the EU market
- Need to invest more in marketing and technical skills
- Need to build their capacity to partner with governments, private sector actors, CSOs

and researchers to reach joint sustainable development goals

CBI concluded that

- The Netherlands is known to be a good exporter. The objective of CBI is to make the country a good importer too
- CBI ultimate goal is to make all trade fair

Panel Discussion : How can the EU and EU Member States better support the matchmaking between



Ms Jolana Mungengová, Mr Claudio Cappellini, Mr Sanoussi Bilal, and Mr Sergi Corbalán

Fair Trade producers and EU SMEs?

Moderator: Mr Sanoussi Bilal, Head of the Economic Transformation and Trade Programme at the European Centre for Development Policy Management (ECDPM)

Ms Jolana Mungengová, Cabinet of Cecilia Malmström, Commissioner for Trade

- Through its trade strategy, the European Commission is committed to promoting fair and ethical trade schemes (paragraph 4.2.4 of the [Trade for All Communication](#)). For example, the EC is setting up the European Fair and Ethical Trade City Award to raise awareness among EU citizens and businesses about the need to promote sustainable consumption and production patterns.
- Export credit agencies of EU Member States could also help raise awareness about fair and ethical sourcing and sustainable markets as part of their export/import promotion activities.
- The European Commission will not impose a single EU-level definition of what fair and ethical trade means. Rather, jointly with the International Trade Center, the Commission is identifying a set of sustainability criteria fair and ethical policies should comply

with. By awarding the policies that will meet these criteria, and the people who have developed these projects and who implement them, the Commission hopes to publicise their benefits across the EU and beyond.

Mr Leonard Mizzi, Head of Unit, DEVCO C1 - Rural Development, Food Security, Nutrition, European Commission - Directorate-General for Development Cooperation

- The EU can provide financial support to Fair Trade through various means, such as its Aid for Trade programmes, the ACP commodity programs, and other tools
- There are many hooks on Fair Trade (e.g. the Trade for All Communication and the [European Consensus on Development](#)), but there is still the need to upscale the Fair Trade initiatives (from niche to mainstream). The European Commission is ready to start a dialogue with targeted countries and CSOs to reach this objective
- The European Commission aims to upscale Fair Trade and other sustainability schemes' initiatives to promote sustainable development

MEP Linda McAvan, Chair of the European Parliament DEVE Committee and of the EP cross-party Fair Trade Working Group (active since 2005)

- Now we are at a better time than ever to promote Fair Trade at EU level:
 - The Trade for All Communication and the new Consensus on Development aims to support Fair Trade. A growing number of EU Delegations in the Global South are also supporting Fair Trade.
 - The implementation of the 2030 agenda and the new EU Aid for Trade Strategy are also expected to promote Fair Trade



Mr Claudio Cappellini, Mr Sanoussi Bilal, Mr Sergi Corbalán, and MEP Linda McAvan

- The private sector is composed of a heterogeneous group of actors which includes SMEs and farmers that are key to achieve sustainable development, but they need targeted support

Mr Claudio Cappellini, Head of EU Affairs at [CNA](#), Member of the [European Association of Craft, Small and Medium-sized Enterprises \(UEAPME\)](#)

- SMEs suffer common market failures (tariffs, technical barriers, different business environment, legal & fiscal environment (big issues))
- Facts and data on the business opportunities that are offered by sustainable markets are lacking. More research is needed
- There is also the need to invest in development education and awareness raising to engage more SMEs in the promotion of Fair Trade and sustainable production models
- SMEs also need to be better involved in the implementation of EU trade agreement in order to promote linkages between SMEs and Fair Trade actors

Mr Sergi Corbalán, Executive Director of the [Fair Trade Advocacy Office](#)

- Fair Trade is about business, business with values
- Fair Trade labels are only tools. Fair Trade is producer-led and people-centred business model whose principles are described in the Charter of Fair Trade principles
- We agree with the EC: there is no need for EU regulation on Fair Trade. We do not want the EU to tell us what fair trade is. This should be mainly continue being defined by producers
- We agree with mainstreaming Fair Trade principles across all trade (push), approach, but there is also the need to promote bottom-up Fair Trade initiatives (pull)
- If the EU wants to upscale Fair Trade initiatives, the Fair Trade movement is ready to contribute to this objective
- We agree that there are many hooks to support Fair Trade, but there is no comprehensive action plan; like it is the case for organic agriculture and the cooperative enterprises

Concluding remarks by MEP Dita Charanzová, Vice-Chair of the European Parliament Committee on the Internal Market and Consumer Protection

- SMEs are the backbone of the EU economy. Linking them to Fair Trade actors from the Global South is a win-win opportunity to promote growth and sustainable development
- The conference wants to be the kick-off of a problem-solving exercise to remove the obstacles to link SMEs and Fair Trade actors
- We need no regulation, but different initiatives in different policies, not just to raise awareness, but also to:
 - 1 Help SMEs better integrate into sustainable supply and value chains, as well as encourage business-to-business exchange and dialogue between SMEs in the EU and Fair Trade actors
 - 2 Deliver development cooperation programmes consistent with trade policy tools



The audience at the Fair Trade cocktail, after the event



Ms Eleonora Dal Zotto, MEP Dita Charanzová, MEP Bernd Lange, Ms Jane Katahwire Mbabazi, and Ms Eva Smulders