DELIVERING THE SUSTAINABLE DEVELOPMENT GOALS THROUGH TRADE – A FIVE-POINT AGENDA FOR POLICY COHERENCE

A Fairtrade Foundation briefing paper

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ACRONYMS AND ABBREVIATIONS

ACP	African Caribbean Pacific
AfT	Aid for Trade
CAP	Common Agricultural Policy
DFID	Department for International Development
EPA	Economic Partnership Agreement
EU	European Union
ICAI	Independent Commission for Aid Impact
IDC	International Development Committee
PCD	Policy coherence for development
PGD	Policy for Global Development
SDGs	Sustainable Development Goals
SIA	Sustainability Impact Assessment
TPU	Trade Policy Unit
TTIP	Transatlantic Trade and Investment Partnership
WTO	World Trade Organization

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The contents of this paper are the sole responsibility of the Fairtrade Foundation and do not necessarily reflect the views of individuals and organisations consulted.

DELIVERING THE SUSTAINABLE DEVELOPMENT GOALS THROUGH TRADE – A FIVE-POINT AGENDA FOR POLICY COHERENCE

World governments are looking to trade as a driver of economic growth and poverty reduction, which is why trade is central to the Sustainable Development Goals (SDGs) – the new global poverty reduction and sustainability framework to be adopted in September 2015.

But trade is a blunt tool that can harm, as well as help, poverty reduction. And government trade policy must be joined up, or the needs of poor people are easily undermined. The Fairtrade Foundation believes that for action on trade to genuinely support the ambition of the SDGs, the following approach is needed from the UK government:

1 PRO-POOR TRADE SDGs:

To ensure that the SDGs on trade are 'pro-poor', with indicators that drive fair and sustainable trade for poor communities – not just trade for its own sake.

2 JOINED-UP GOVERNMENT:

To make sure that the whole government works better together to reduce poverty through trade, sustainable development must be the top shared priority for the UK's trade goals.

3 IMPACT ASSESSMENT:

To ensure that comprehensive assessments are made of the likely impact of trade decisions on poor communities, the risks of damage to livelihoods and how positive outcomes can be ensured.

4 PROPER ADJUSTMENT SUPPORT:

To ensure that farmers and workers affected by changes to trade regimes receive proper support to help them adjust.

5 FAIR EU TRADE POLICY:

To use the UK's influence to ensure that the EU's trade decisions are fair for farmers and workers in developing countries.

TRADE AND POVERTY REDUCTION

Trade is indeed an important tool for sustainable development. When trade systems are designed with sustainable development in mind, they can boost incomes, tackle poverty and deliver a lasting impact. But trade systems and trade liberalisation often work against the poor. Subsidies and tariffs hold back poorer countries from accessing markets, while poorly managed liberalisation undermines livelihoods without adequate support for those affected.

The draft SDGs address vital areas where farmers, workers and communities involved in international supply chains need action. They also contain a commitment to policy coherence for development (target 17.14) – in other words, the government's commitment to work on poverty reduction as delivered by the Department for International Development (DFID) must not be undermined by decisions elsewhere in government.

Ahead of the SDGs, the Addis Ababa Accord on Financing for Development,[1] to be agreed in July 2015, aims to integrate sustainable development into trade policy at all levels and assess the sustainability impact of trade agreements.

The adoption of the SDGs, if supported by a strong outcome on Financing for Development, is therefore a unique opportunity: making UK and EU trade policy work better for the poor could transform the lives of millions around the world.

WHY TRADE POLICY COHERENCE MATTERS TO FAIRTRADE

Fairtrade's experience is that it is possible to trade successfully – and at scale, within commercial markets – in a way which supports clearly defined sustainable development outcomes. The Fairtrade retail market in the UK alone was worth £1.67 billion in 2014. This briefing shows evidence of trade policies which do not work to reduce poverty, because farmers and workers in developing countries are not able to trade on fair, sustainable terms.

> "WHEN TRADE SYSTEMS ARE DESIGNED WITH SUSTAINABLE DEVELOPMENT IN MIND, THEY CAN BOOST INCOMES, TACKLE POVERTY AND DELIVER A LASTING IMPACT."

1 http://www.un.org/pga/wp-content/uploads/sites/3/2015/05/070515_financing-for-development-Inf-Consultations.pdf

BOX 1: WHY THE SDGs MATTER TO FAIRTRADE FARMERS AND WORKERS

The SDGs demand action on many areas crucial for the future of the farmers and workers within the Fairtrade system, and millions more like them around the world. For example:

- Fairtrade works with 1.5 million small-scale farmers and workers, who are among the most marginalised groups globally, using trade rather than aid to support them to improve their livelihoods (Goals 1, 2, 5, 8).
- Fairtrade supports farmers and workers to meet a range of economic, environmental and social challenges, including pushing for living wages for workers, building resilience to climate change and enabling communities to invest in education (Goals 4, 8, 13).
- Fairtrade works to deliver trading partnerships, based on dialogue, transparency and respect, and greater equity in international trade (Goals 2, 8, 17).
- Fairtrade works with the public to campaign for more sustainable production and consumption in trade (Goal 12).

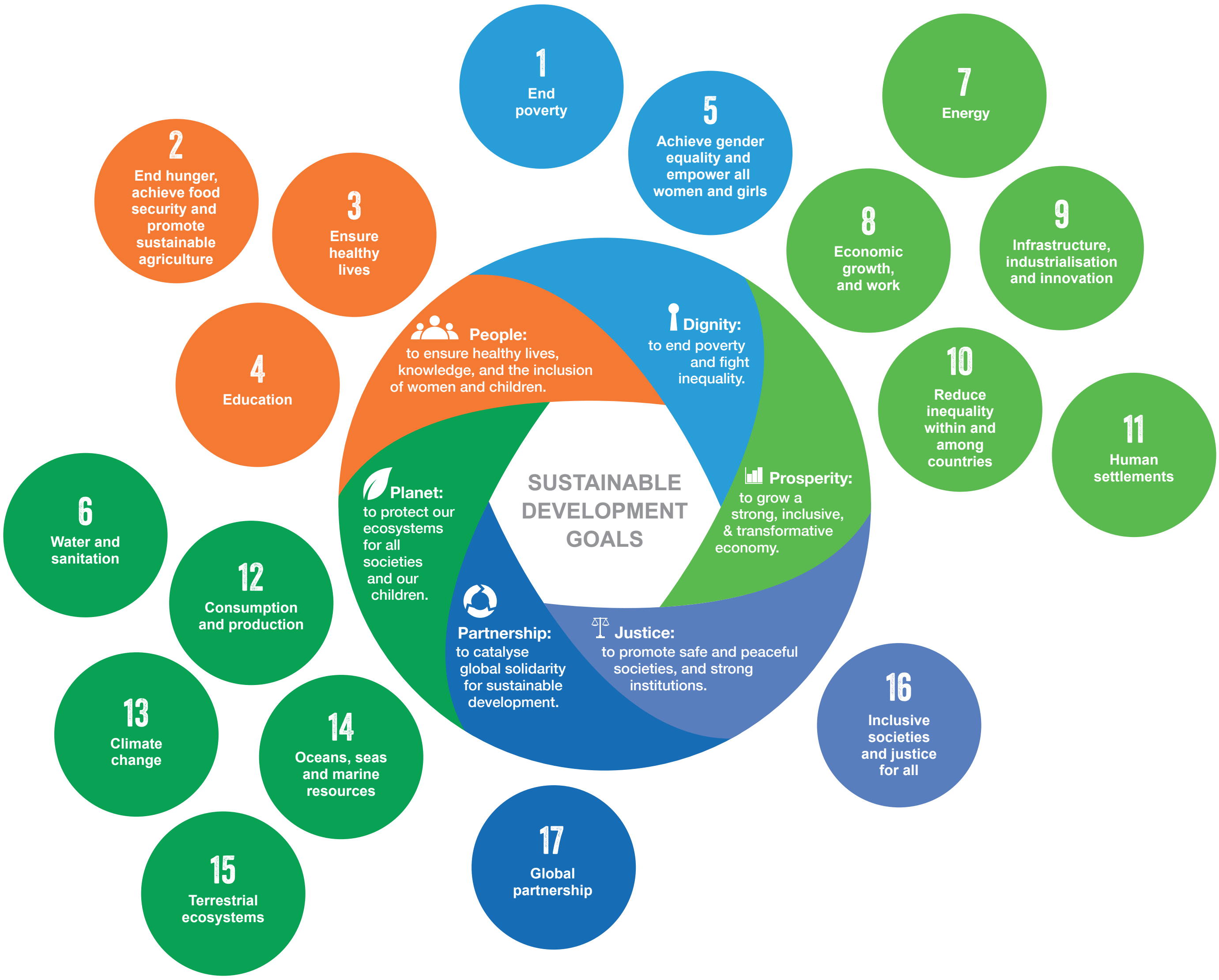


Figure 1: Draft SDGs mapped onto the six key themes identified in the UN Secretary-General's Synthesis Report on the Post-2015 agenda[2] *(selection of goals against themes by the Fairtrade Foundation).*

2 Central diagram encompassing the six themes is taken from the United Nations Secretary-General's Synthesis Report, *The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet*, December 2014: http://www.un.org/disabilities/documents/reports/SG_Synthesis_Report_Road_to_Dignity_by_2030.pdf

TRADE IS AFFECTED BY MORE THAN TRADE DEALS

It is not just trade deals which have an impact on the ability of developing countries to trade. Changes to government regulations or standards (at national, regional or international level), or changes to UK or EU policy can have unexpected and far-reaching effects on the ability of producers in developing countries to sell their produce in overseas markets like the UK and EU more widely. Such 'non-tariff' measures present a huge challenge to joined-up government, as they may be agreed by departments responsible for issues such as environment, farming or health, rather than the business or international development ministers. For example, EU regulations on organic standards (discussed later in this paper) are overseen by the Directorate-General for Agriculture and Rural Development (DG Agriculture).

Delivering the SDG commitment to trade policy coherence (see box 2) demands review and reform of domestic policies with an impact on trade, together with a new approach and accountability to ensure that trade agreements – bilateral, regional and multilateral – work to support poverty and sustainability goals.

This will require a radical new commitment to ensure government departments work together. Trade, food, business and other areas of policy will need to align in support of poverty reduction, human rights and the environment.

> **'TRADE, FOOD, BUSINESS AND OTHER AREAS OF POLICY WILL NEED TO ALIGN IN SUPPORT OF POVERTY REDUCTION, HUMAN RIGHTS AND THE ENVIRONMENT.'**

BOX 2: KEY SDGs AND TARGETS WITH LINKS TO TRADE POLICY COHERENCE

Goal 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Key targets:

- **2.3** By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment

- **2.b** Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round

- **2.c** Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility

Goal 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Key targets:

- **8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

- **8.3** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services

- **8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

- **8.a** Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries

Goal 12 Ensure sustainable consumption and production patterns

Key targets:

- **12.6** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

- **12.7** Promote public procurement practices that are sustainable, in accordance with national policies and priorities

Goal 17 Strengthen the means of implementation and revitalise the global partnership for sustainable development

Key targets:

- **17.10** Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda

- **17.11** Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020

- **17.12** Realise timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access

- **17.14** Enhance policy coherence for sustainable development

- **17.15** Respect each country's policy space and leadership to establish and implement policies for poverty eradication and sustainable development

The SDGs should drive fair trade[3] which works for the poor, not just trade for its own sake. Many of the targets proposed – such as eliminating subsidies, enhancing Aid for Trade (AfT) and realising duty-free and quota-free market access – are welcome in principle. But with targets on trade in different sections of the SDGs, will policymakers join up the dots?

- **Links need to be made between the SDG targets.** For example, eliminating subsidies which hinder market access for developing countries (target 2.b) is essential. But poorer countries' freedom to make policies to deliver sustainable development must be respected (policy space, target 17.15), so agreements intended to improve market access need to avoid heavy conditionality.

- **Ensuring policies work together for sustainable development in trade is vital.** The commitment to policy coherence in target 17.14 is therefore welcome – but a clear strategy and political leadership at the highest level will be needed if this is to be more than a paper commitment.

- **There should be clear poverty reduction indicators against trade-related goals,** so that measures intended to increase exports or trade volumes are also assessed against the positive – and negative – impact on livelihoods and poverty.

- **Governments must be accountable for how major new trade agreements affect poverty reduction.** The draft SDGs do not appear to recognise the rise of trade agreements outside multilateral processes – such as Economic Partnership Agreements (EPAs), the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP). Agreements like these are setting the rules of the game in trade, and negotiators need to be given a clear mandate to secure poverty reduction and sustainability outcomes.

3 The term 'fair trade' defines 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, marginalised farmers and workers – especially in developing countries. 'Fairtrade' refers to the Fairtrade system – Fairtrade International, Fairtrade producer networks and national Fairtrade organisations such as the Fairtrade Foundation.

PRIORITIES FOR ACTION

We have set out a five-point agenda for the UK government and the EU to ensure the SDGs deliver for farmers and workers.

1 PRO-POOR TRADE SDGs:

To ensure that the SDGs on trade are pro-poor, with indicators that drive fair and sustainable trade for poor communities – not just trade for its own sake.

The trade-related targets and indicators within the SDGs need to address the serious imbalances of power that remain in global trade. Trade subsidies and tariffs continue to protect the economies of developed countries and hinder poor countries from developing their economies. Developing countries also need enough freedom to make policies to build economies in which everyone prospers, especially the poorest. For example, the SDGs should commit to:

Levelling the playing field for developing country producers

Developing country producers are often operating in markets distorted in favour of richer countries, which means they face unfair competition. In addition, processed goods can bring in more income for a producing country than unprocessed raw commodities. However the EU tends to charge higher import tariffs on these goods, creating a serious disincentive to developing national industry through value-chain addition at origin (known as tariff escalation).

> "TRADE DEALS NEED TO LEAVE POOR COUNTRIES SUFFICIENT INCENTIVES AND POLICY SPACE TO PURSUE THEIR OWN DEVELOPMENT OBJECTIVES."

The example of cotton

Developing countries dominate the cotton sector in areas such as imports and production but are responsible for only 52 percent of global exports.[4] One study suggests that had the US reduced its subsidies in line with World Trade Organization (WTO) requirements, global cotton prices would have been on average six percent higher.[5] This would make a substantial difference to African cotton exporters (such as Chad, Benin, Burkina Faso and Mali) who depend on cotton for their livelihoods.

There have been significant changes in the international cotton market over the last decade, with China taking centre stage in determining prices and India now the second largest exporter of cotton. Nevertheless, much still needs to be done to eliminate the subsidies which are disadvantaging African producers. Cotton production in the EU is in rapid decline yet the EU remains the biggest subsidiser of cotton per tonne of production. Reform of the Common Agricultural Policy (CAP) also provides more flexibility for member states to reintroduce production-related support.

- In line with the SDGs, the UK should as a priority work with its European allies to push the EU to end its own distorting subsidies.

4 ICTSD/ICAC (May 2013) *Cotton: Trends in global production, trade and policy*, information note http://ictsd.org/downloads/2013/06/cotton-trends-in-global-production-trade-and-policy.pdf

5 Jales M (2010) *How would a WTO Agreement on Cotton Affect Importing and Exporting Countries?* ICTSD Programme on Agricultural Trade and Sustainable Development Issue Paper No. 26, International Centre for Trade and Sustainable Development, Geneva, Switzerland.

Ensuring poorer countries have the freedom to make policies which work towards the SDGs

Trade deals need to leave poor countries sufficient incentives and policy space to pursue their own development objectives. This includes allowing regional trading blocs sufficient time to negotiate agreements which could have implications for the trading community as a whole, rather than using the threat of tariff impositions as a 'stick' to push for faster agreement.

In 2014, power struggles between East African governments and the EU over the continuation of zero tariffs under the East Africa EPA cost Kenya's flower industry, which supports the livelihoods of 500,000 people,[6] an estimated £640,000 a month until agreement was finally reached.[7]

Trade agreements should support, and not block, poorer countries from taking measures to nurture their own national industry and agriculture. In West Africa, agriculture provides 60 percent of employment and satisfies 80 percent of the food needs in the region. The EPA between the EU and West Africa, if ratified as it stands, means that West Africa will only be able to use duties, export taxes or charges for the promotion of fledgling industry or environmental protection after consulting with and justifying this to the EU. But any such agreement would only be on a temporary basis. In reality, the smallholders and small and medium-sized enterprises that make up the economic fabric of the region would not have the capacity to provide the necessary evidence, hampering the ability for the region to pursue its own sustainable development objectives, such as local processing of raw materials.[8]

- The UK should negotiate to ensure that EU trade deals allow for governments to develop local industry including adding value at origin, to manage the environmental impacts of agriculture and trade, and not constrain governments from pursuing their own sustainable development objectives (in line with target 17.15).

6 500,000 people dependent on the Kenyan floriculture industry, including 90,000 direct employees – source: Kenya Flower Council: http://kenyaflowercouncil.org/?page_id=69

7 Kenya's cut flower industry is worth over $250m/year, almost all exported to the EU (see www.kenyarep-jp.com/business/industry/f_market_e.html). Import tariffs of five percent were in force from October – December 2014.

8 CONCORD (2015) *Spotlight 2015: The EPA Between The EU And West Africa: Who Benefits?* http://www.concordeurope.org/coherent-policies/trade-coherent-policies/item/download/413_56c6eece7efa4009a6466f11596b68d1

2 JOINED-UP GOVERNMENT:

To make sure that the whole government works better together to reduce poverty through trade, sustainable development must be the top shared priority for the UK's trade goals.

Ensuring strong accountability and ministerial oversight for trade policy coherence for development

Improving market access for developing country producers is meaningless if other policies undermine this commitment. In particular, where there are conflicts between national and EU level domestic interests on trade and agriculture and those of producers in developing countries for viable market access, domestic interests are more than likely to win.

A stark example of this is in the sugar sector. Sugar cane producers are currently facing significant threats to their livelihoods. In 2012, the UK government predicted that the removal of quotas on EU sugar beet production in 2017 could push 200,000 sugar cane farmers in African, Caribbean and Pacific (ACP) countries into poverty by 2020, as EU production increases – this is now looking like a conservative estimate. In December 2014, the European Commission projected that imports would fall from 3.1 million tonnes to 1.9 million tonnes.[9] Since then, as sugar prices in the EU have plummeted, 10 EU member states have announced that they plan to provide additional subsidies for approximately 20 percent of domestic beet sugar production every year for the next five years. At the same time, some of the most efficient beet sugar producers are planning to expand production.[10] There is a real danger that all ACP and Least Developed Countries (LDC) imports will be pushed out of Europe.

“IMPROVING MARKET ACCESS FOR DEVELOPING COUNTRY PRODUCERS IS MEANINGLESS IF OTHER POLICIES UNDERMINE THIS COMMITMENT.”

A similar example is the proposal for a new EU organic regulation – which includes a potential move from ‘equivalence’ to ‘compliance’ with EU organic standards.[11] It could result in developing country producers losing their EU market if the costs of full compliance are too much. Over 700,000 smallholder farmers work in Fairtrade producer organisations which also hold organic certification, growing products such as bananas, coffee and cotton. This change could affect millions of farmers in the developing world.

Both these examples are covered by the Department for Environment, Food and Rural Affairs (Defra) in the UK, and DG Agriculture in the EU, but these policies have huge implications for imports from developing countries into the EU, and for strategies to reduce poverty.

Trade, food and business policies must work together to make the SDGs a reality.

Joined-up government in the UK

It is not yet clear how the UK government will join up these policies and resolve conflicts to ensure that poverty reduction is a priority. In practice, will action on sustainable development targets lose out to other priorities?

Denmark, Sweden and the Netherlands have successfully established institutional mechanisms to ensure policy coherence for development (see box 3). In Sweden, the government produces a regular report on policy coherence which is scrutinised by a civil society platform. The experience suggests that regular government reporting, combined with strong civil society accountability mechanisms are crucial for effective policy coherence. A similar approach by the UK would close gaps in trade policy coherence and build confidence that trade negotiators are prioritising poverty reduction outcomes.

9 European Commission (December 2014) *Prospects for EU agricultural markets and income 2014-2024* http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/2014/fullrep_en.pdf

10 Südzucker Annual Report 2014/15: http://www.suedzucker.de/en/Downloads/Download_Daten/Finanzberichte/2014_15/Geschaeftsberichte_2014_15/GB_2014_15/GB-Suedzucker-2014-15-EN_1_1_1_1.pdf

11 ‘Compliance’ requires producers to fulfil all requirements of the EU organic regulation, whereas ‘equivalence’ means that producers are certified to a standard equivalent to the EU regulation, taking into account local conditions.

DFID's work is held accountable to Parliament by the International Development Committee (IDC). The Independent Commission for Aid Impact (ICAI) also evaluates DFID programmes regularly. These bodies should ensure that they review the government's performance against the SDGs, especially in the area of trade policy coherence and it is essential that they collect evidence from informed civil society observers.

The UK government's Trade Policy Unit (TPU) is a team formed between DFID, Department for Business, Innovation and Skills (BIS) and the Foreign and Commonwealth Office (FCO). It has the responsibility for ensuring that trade and development policy work together. Ensuring that the TPU's top priority is the delivery of sustainable development through trade is clearly very important.

But ensuring trade policy coherence against the SDGs cannot be the responsibility of a single team. It must be mainstreamed into all teams with responsibility for taking forward trade policy. It needs to be led from the top, with ministers making clear that the UK's trade policy must always be tested against the likely impact on the world's poorest people.

Joined-up government at EU level

At EU level, the European Commission's 2015 Communication on the SDGs[12] states that all countries should integrate sustainable development into their trade policy.

The EU has made a commitment, known as policy coherence for development (PCD),[13] to ensure that all its policies support its international development goals, including biannual reporting. The EU's Development Commissioner stated that the EU is 'a convinced and active supporter of fair trade practices. We consider them as contributing significantly to inclusive and sustainable growth'.[14] Yet the reality is that the EU has failed to include developing countries in important negotiating processes, failed to conduct timely impact assessments (see agenda point 3), and has not put in place meaningful support for affected developing countries to adjust to changes in trade practices (see agenda point 4).

The UK government should:

- Empower the Secretary of State for DFID with a mandate to ensure compliance with the SDGs across government.
- Review ways to achieve PCD across government. This should include ensuring that the cross-departmental TPU is fully supported to prioritise poverty reduction and SDGs within trade-related policy across government.
- Ensure that DFID's annual reporting provides a detailed analysis of PCD across government, especially for those policies with an impact on trade.
- Facilitate and encourage detailed civil society review of government performance on PCD, especially trade.
- The IDC and ICAI should regularly review government performance against the SDGs, especially with regard to policy coherence on trade, taking into account civil society views.

The EU must live up to its commitment to PCD. It must:

- Negotiate trade agreements in line with the demands of the SDGs for policy coherence, to ensure that proposed deals bring maximum benefit and minimum harm for developing country producers.
- Ensure that its PCD report assesses performance against policy coherence on trade.

12 COM(2015) 44 final *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Global Partnership for Poverty Eradication and Sustainable Development after 2015*, Brussels, 5.2.2015: http://ec.europa.eu/europeaid/sites/devco/files/com-2015-44-final-5-2-2015_en.pdf

13 The European Consensus on Development (2006) *Joint declaration by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on the Development Policy of the European Union:* 'The European Consensus' (2006/C 46/01).

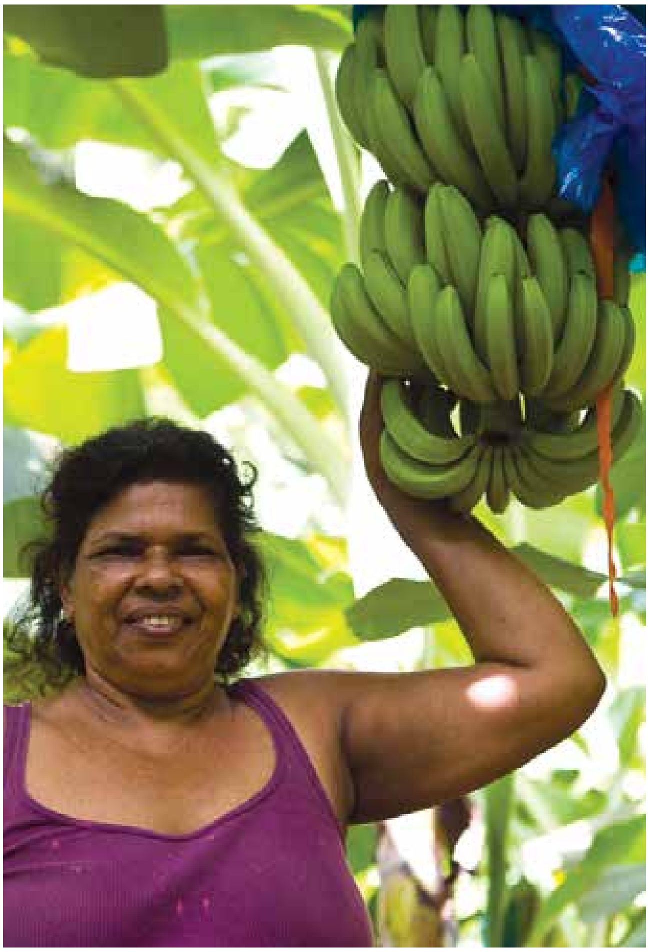
14 http://www.fairtrade-advocacy.org/about-fair-trade/what-decision-makers-say/827-statement-global-respect-mimica

BOX 3: SWEDEN'S APPROACH TO PCD

In 2003, the Swedish parliament adopted a new Policy for Global Development (PGD) which placed PCD at the heart of its approach. The PGD proposed one common objective: to contribute to equitable and sustainable global development. Sweden has taken a whole-of-government approach – while the PGD has its home in the Department for Development Policy (Ministry for Foreign Affairs), all policy areas and ministries share the responsibility for the implementation of global development policy.

Despite being considered as front-runner in PCD, civil society has nevertheless consistently pushed the Swedish government to do better.[15] The government presents a biennial report on implementation of the PGD, which is scrutinised by various NGOs and civil society organisations (members of CONCORD Sweden) who produce a Barometer report. The persistence of policy incoherence highlighted by this scrutiny led the government to review the PGD in 2008 and changed it to one that aims to be more results-based – this was further amended in 2010 and 2012.

A key lesson from Sweden's experience is that without systematic interdepartmental coordination, incentives and a framework for monitoring and reporting progress, incoherence will remain.[16] The 2012 Barometer report recommended that the government should build capacity on PGD and improve the coordination between the different ministries by allocating sufficient resources to revitalise the interdepartmental working groups; develop clear indicators to monitor and measure compliance with the PGD; and establish an ombudsman with a mandate to investigate cases where Sweden's policies affect developing countries in a negative way, based on complaints from governments, civil society and individuals.[17]



“ENSURING TRADE POLICY COHERENCE AGAINST THE SDGs CANNOT BE THE RESPONSIBILITY OF A SINGLE TEAM... IT NEEDS TO BE LED FROM THE TOP, WITH MINISTERS MAKING CLEAR THAT THE UK'S TRADE POLICY MUST ALWAYS BE TESTED AGAINST THE LIKELY IMPACT ON THE WORLD'S POOREST PEOPLE.”

15 European Centre for Development Policy Management (2013) *Insights from Developments in National Policy Coherence for Development Systems: Key Cross Cutting Issues and Dilemmas*, Discussion paper no.144, April 2013 http://ecdpm.org/wp-content/uploads/2013/10/DP-144-Insights-from-Developments-in-Nationa-Policy-Coherence-for-Development-Systems.pdf

16 Trocaire (2013) *Achieving Policy Coherence for Development through a Whole of Government Approach*, Briefing Paper 2013 http://www.trocaire.org/sites/trocaire/files/resources/policy/achieving-policy-coherence-for-development.pdf

17 CONCORD Sweden (2012) *Barometer 2012: Civil Society Organisations check the pressure on Sweden's policy for global development* http://www.concord.se/wp-content/uploads/PGD-Barometer-2012.pdf

3 IMPACT ASSESSMENT:

To ensure that comprehensive assessments are made of the likely impact of trade decisions on poor communities, the risks of damage to livelihoods and how positive outcomes can be ensured.

TTIP is the biggest trade deal that has ever been negotiated. While one study highlights that there may be positive benefits for third countries (any country not party to the agreement) such as a reduction in trade costs flowing from convergence on regulation and standards,[18] there is evidence to suggest that developing countries will be negatively impacted. One assessment estimates that some sub-Saharan African countries could face losses of up to 7.4 percent of per capita income as a result of the deal.[19] Another study identifies that top low-income country exporters to the EU, such as Pakistan, Bangladesh, Cambodia and Ghana, are likely to be the most vulnerable as products such as textiles, clothing, footwear, fish and bananas are affected. The report predicts a combined loss of $42.6 million to the garment sectors of Bangladesh and Pakistan.[20]

Despite these risks to developing countries, negotiations continue while the EU's own Sustainability Impact Assessment (SIA) will not be completed until December 2015, meaning that these issues will not be taken into account. The EU and US have also stated that they want to open the final deal to other countries (to multilateralise it) but to date negotiations have been behind closed doors.

- The UK should insist that EU SIAs are conducted in time to influence trade negotiations and oppose proposals which will have a negative impact on farmers and workers in developing countries. Impact assessments should also be carried out within an appropriate time period after the trade deal has been implemented to monitor and understand its effects.

- The UK government should insist that developing countries have observer status during negotiations of trade deals, especially where there is a strong likelihood decisions will impact them. Developing countries must have a seat at the table.

18 CEPR (2013) *Reducing Transatlantic Barriers to Trade and Investment* http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf

19 Felbermayer, Heid and Lehwah (2013) *Transatlantic Trade and Investment Partnership: Who benefits from a free trade deal?* Bertelsmann Stiftung.

20 Rollo, Holmes, Henson, Mendez Parra, Ollerenshaw, Lopez Gonzalez, Cirera & Sandi (2013) *Potential Effects of the proposed Transatlantic Trade and Investment Partnership on Selected Developing Countries.* CARIS, University of Sussex.

4 PROPER ADJUSTMENT SUPPORT:

To ensure that farmers and workers affected by changes to trade regimes receive proper support to help them adjust.

When trade liberalisation takes place, there will inevitably be losers as well as winners. It is crucial that those adversely affected by changes to trade regimes are properly supported to adjust in sufficient time to minimise negative impacts on livelihoods. One way of achieving this is through Aid for Trade (AfT).

Much of the EU funding that was meant to support sugar cane farmers through CAP reform has either not met the needs of producing communities, been spent on other things or has not been spent at all. In some places the EU has continued to fund the expansion of sugar cane production, despite the threat to the industry.

The EU's 2012 Trade, Growth and Development Strategy stated: 'We should ensure that small operators including rural smallholders have appropriate access to AfT to facilitate their involvement in external markets'.[21] AfT also needs to be better targeted at building the capacity of small producers. It should focus on their needs and what works for them, for example supporting the establishment of producer organisations.

The UK government's AfT strategy (and negotiation position within the WTO AfT process) should ensure:

- Meaningful and timely support for adjustment is provided, benefiting the communities directly affected prior to any proposed reforms.
- Better monitoring and targeting of AfT towards small producers that builds on experience of what works for them, for example building co-operative organisations. In particular, the UK should insist that the new EU Trade, Growth and Development Strategy (expected Autumn 2015) and the subsequent review of the EU AfT strategy will reinforce, build on and ensure implementation of the package to promote trade for small producers in developing countries.
- Capacity building in developing countries to adapt production, including support to meet standards and move into value-added activities.

21 COM(2012) 22 final *Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee Trade, growth and development Tailoring trade and investment policy for those countries most in need.*

5 FAIR EU TRADE POLICY:

To use the UK's influence to ensure that the EU's trade decisions deliver fair outcomes for farmers and workers in developing countries.

UK trade policy can be conducted on three levels: first, bilaterally, secondly as a member of the EU and thirdly through multilateral trade instruments. Most UK trade deals are concluded as a member of the EU, which means the UK must influence a common EU position on trade. This is challenging: a progressive approach from the UK on trade and poverty reduction could be blocked by other member states.

Trade issues are also heavily influenced by other aspects of EU policy – for example, the CAP governs agricultural subsidies.

This paper has already highlighted specific action that needs to be taken forward at EU level. The UK needs to champion sustainable development at the highest level within the Council of Ministers and European Commission. It needs to work closely with other member states to deliver fair trade across all aspects of EU policy.

CONCLUSION

If trade is to deliver prosperity for the world's poor, as the SDGs propose, then change is urgently needed.

Getting it right will mean trade negotiators must work harder to secure poverty reduction and sustainability outcomes in the context of future trade and non-tariff agreements.

Fairtrade's experience is that getting trade policy wrong is more than a matter of uncomfortable figures on a graph, but of personal hardship and poverty for hundreds of thousands of men, women and children.

A high level of political leadership will be needed. When there are hard choices in trade policy between domestic self-interest and shared goals for an end to global poverty, ministers will need the courage to put the lives of the poorest first.

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PEOPLE IN THE UK RECOGNISE THE FAIRTRADE MARK

£1.67 BILLION UK SALES OF FAIRTRADE IN 2014

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REMAINS ONE OF THE MOST TRUSTED ETHICAL LABELS IN THE UK

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