

BREXIT: LET'S CHANGE TRADE FOR GOOD



CONTENTS

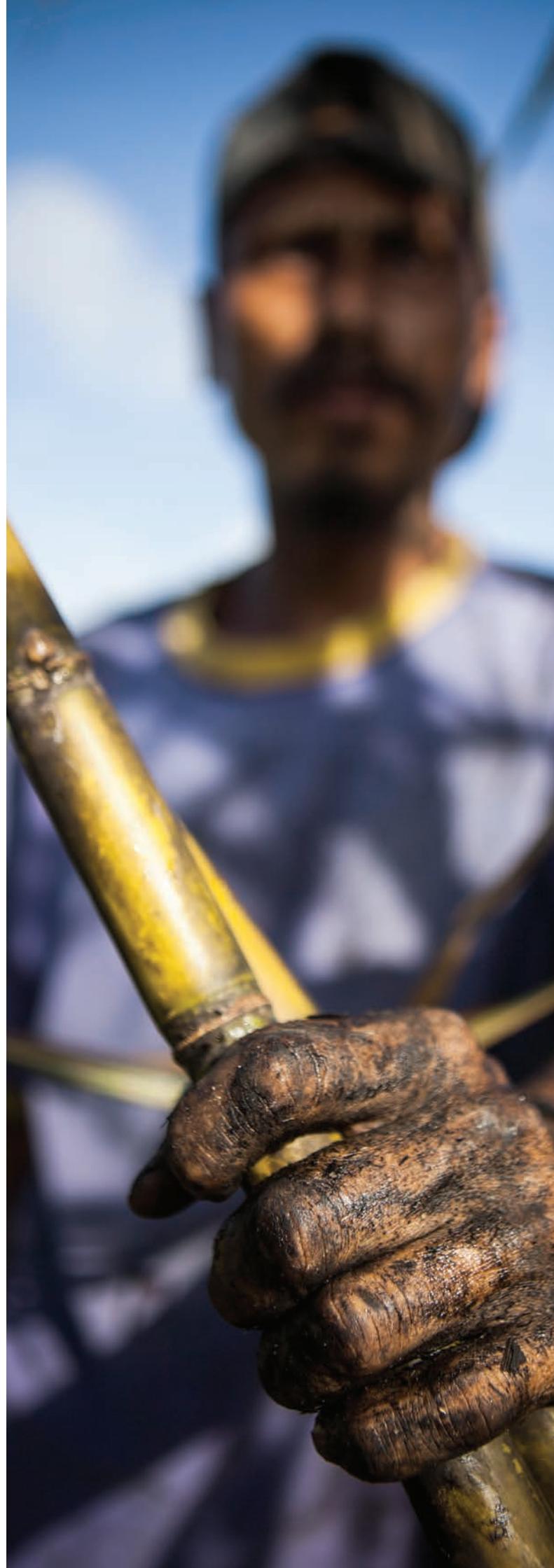
Foreword	3
An uncertain future	4
A global picture: the SDGs	6
Our recommendations and case studies	7
Flowers, Kenya	8
Sugar, Malawi	10
Bananas, Dominican Republic	12
Coffee, Tanzania	14
Conclusion	16
References and other sources	17

ACKNOWLEDGMENTS

This report was produced jointly by the Fairtrade Foundation and Traidcraft.

It features case studies from producers in various countries which could be implicated by changes to trade policies. The views of those producers are not necessarily the views of the Fairtrade Foundation, Traidcraft, or their organisations.

Understandably, producers interviewed reflected their concerns about competition with other countries. We feel it is important to highlight these fears, which point to the need for careful decision-making by UK policymakers. At the same time, by highlighting these different views, we are not making judgements on the competing interests of different countries which may be affected by trade policy decisions.



FOREWORD

By Michael Gidney, Chief Executive,
Fairtrade Foundation, and Robin Roth,
Chief Executive, Traidcraft

The fair trade movement has long campaigned to change the gross injustices in trade which bring profits for the few but exploit the many. The inequalities are stark: the world's eight richest people own as much as the 3.6 billion who make up the poorest half of the world.¹ And it is often people who produce goods for the UK and other developed countries – including tea, coffee and cocoa – who are hit the hardest. They are the farmers who can't feed their families, the men and women forced to work in appalling conditions, and the children sent to fields or factories because their parents can't afford to send them to school.

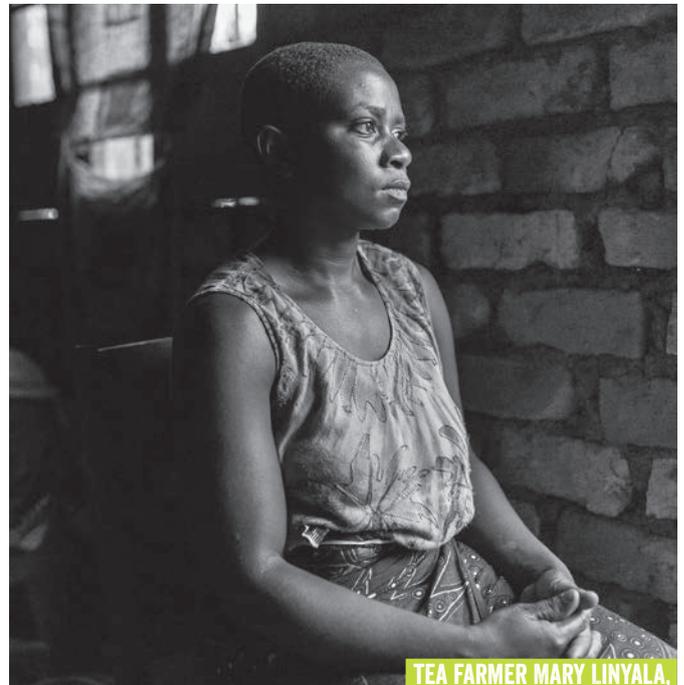
This year could be the time when we change trade for good. As the UK prepares to trigger Article 50 and leave the European Union, it will need to negotiate its own trade relationships with the rest of the world. Farmers in poor countries need the government to make sure that new UK deals don't feed exploitation. The government's ambition to become 'a great global trading nation' is a once-in-a-lifetime opportunity to deliver truly fair trade which backs the UK's promises to end poverty and inequality.

This report reveals that farmers in Kenya, Malawi, Tanzania and the Dominican Republic are seriously worried. They live in countries which, according to new research, could be profoundly damaged by poorly planned post-Brexit trade arrangements.² People in rural communities, already struggling with low prices and poverty, face an even more uncertain future. In a worst-case scenario, they could end up with around £1 billion in extra taxes that would cripple fledgling industries and economies dependent on international exports.³ Get it wrong, and there will be a human cost. 'We shall have to let people go,' we were told by a Kenyan flower grower selling to UK supermarkets. Other outcomes could be more pressure on labour rights, environmental protection and wages.

But we're not just calling for the government to 'do no harm' – we're sure that the UK can do better! None of the problems are inevitable. In fact, there is an unprecedented opportunity for the UK to stand out from the crowd, go beyond the existing EU trade rules and set the gold standard in fairer trade, helping millions around the world.

People across the UK, of all political persuasions, want our trade following Brexit to help end poverty. A total of 50,000 people signed Fairtrade's recent petition to Prime Minister Theresa May asking her to promise that the UK's future trade policy will deliver for farmers and workers in developing countries. In February 2017, International Trade Secretary Liam Fox paid tribute to the campaign and highlighted the importance of fair prices and wages, and sustainable practices for farmers and workers in developing countries. While these words are welcome, they must lead to firm commitments that result in action.

This report outlines a vision for the UK's relationship with developing countries. We have a unique chance to help reverse the inequality that currently traps millions of hardworking people in poverty and debt. We urge the Prime Minister to deliver on her promise to make trade work for the many, not the few.



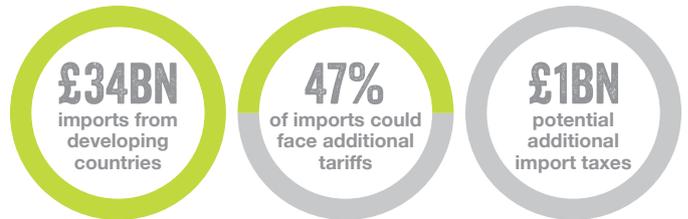
**TEA FARMER MARY LINYALA,
SUKAMBIZI ASSOCIATION TRUST, MALAWI**

AN UNCERTAIN FUTURE

The Prime Minister has said she will trigger Article 50 by the end of March 2017 and start the formal process of the UK's withdrawal from the EU. This historic decision will lead to significant change for people in the UK and the way we trade with Europe and the rest of the world. But for millions of people from the poorest countries who currently depend on trade with the UK, it could be make or break.

In this report, new analysis from the Fairtrade Foundation and Traidcraft outlines the vulnerable position of producers in 116 developing countries currently trading with the UK. It also highlights the possible impact on their lives if their interests are not considered in the UK's new trade policy.⁴ All of these countries currently receive some form of preferential access to the UK market under EU rules. With insights from farmers, workers and their representatives in some of the countries likely to be hit hardest, this paper outlines the risks facing their communities and our recommendations urging the UK government to ensure they are treated fairly.

Theresa May's 'great global trading nation' vision for Britain must not come at the expense of poorer countries. In the pursuit of Free Trade Agreements with other developed or growing economies such as Australia, Canada, China, Singapore and the USA, the government must be wary of unintended, negative consequences for the world's poorest and economically vulnerable countries. It must take steps to ensure they do not lose out due to unfair competition with wealthier nations.



THESE DEVELOPING COUNTRIES ARE JUST SIX OF THE 116 CURRENTLY TRADING WITH THE UK, WHICH COULD BE SUBJECT TO AT LEAST £1BN IN EXTRA TAXES





**TEA FARMING IN MALAWI, COCOA IN BELIZE
AND BANANA PRODUCTION IN GHANA**

Producers around the world are worried for their futures. The outcome of the EU referendum and the UK's approaching withdrawal has created significant uncertainty for its trading partners. The value of imports from these 116 countries into the UK amounts to at least £34bn each year.⁵ Many depend on this vital trade. They benefit from some EU trade policies – such as tax-free, preferential market access for the poorest countries – but it is as yet unclear whether the UK plans to continue similar arrangements. Devaluation of sterling since the referendum in 2016 has already had an impact on farmers and factory workers all over the world. It has put pressure on the prices they receive from UK buyers and reduced the value of aid, investment and remittances that go back to their countries. There is need for change.

At the same time, some other EU policies, such as agricultural subsidies, have protected the interests of European producers at the expense of very poor producers in other parts of the world. Many developing country producers have been unable to diversify out of raw commodities. Many of the people who help put food on our tables or make the products we buy don't earn enough to look after their own families.

As the UK negotiates new trade deals, it must do no harm to poor countries. Yet this is also an opportunity for Britain to not just replicate what's gone before, but do better and make history, creating a fairer system of global trade. Everything hangs in the balance for vulnerable farmers and workers. In Kenya, one in three people in coffee and tea farming communities are living in poverty,⁶ and children are going hungry. In Côte d'Ivoire, the world's biggest exporter of cocoa, families earn less than 40p per person per day.⁷ The people behind the goods we rely on are at rock bottom.

A truly just trade strategy, one that embraces the landmark commitments governments and businesses all over the world made to the UN's Sustainable Development Goals, could be truly transformational. It could go a long way to reducing poverty and building sustainable development around the world.

A GLOBAL PICTURE: THE SUSTAINABLE DEVELOPMENT GOALS AT THE HEART OF BRITAIN'S TRADE POLICY

In September 2015, 193 world leaders agreed to 17 Sustainable Development Goals (SDGs) which aim to end extreme poverty and inequality, and tackle the threats of climate change by 2030. The UK took a leading role in securing this landmark agreement and now has a responsibility, alongside the international community, in meeting those goals. The SDGs include important targets for helping countries address poverty in their trade and export relationships. The UK government has long championed the benefits of trade as part of building better living standards worldwide. Different government departments need to work together to make sure that trade and business policies support and do not undermine the UK's promises to the world's poorest people.

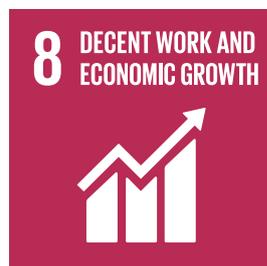


**SUGAR CANE FARMER MRS CHILENJE
COOKS NSIMA FOR LUNCH, MALAWI**

WHAT THE SDGs SAY ABOUT TRADE⁸



- Double the incomes of small-scale food producers



- Full and productive employment and decent work for all
- Increase Aid for Trade for the least developed countries



- Double the least developed countries' share of global exports
- Duty-free, quota-free access on a lasting basis for all least developed countries
- Simple rules of origin which help market access
- Enhance policy coherence for sustainable development

OUR RECOMMENDATIONS

The Fairtrade Foundation and Traidcraft urge the UK government to:

1 DO NO HARM

Poor people in economically vulnerable countries must not find themselves paying new import duties on sales to the UK.

2 ACT QUICKLY

Reassure economically vulnerable countries with an immediate offer of preferential access* to the UK market.

3 LOOK AHEAD

Study the impact of planned trade deals with wealthier countries carefully to make sure that they don't undermine poorer countries.

4 GO FURTHER

Make it easier for developing countries to sell higher value products to the UK, and put in place trade policies to tackle poverty in line with the UK promise to deliver the Sustainable Development Goals (SDGs).

5 USE AID AND INVESTMENT WELL

Make sure that UK aid and investment helps the poor and vulnerable to benefit from trade.

* We define preferential access as non-reciprocal preferences rather than reciprocal preferences agreed in the context of a Free Trade Agreement

1 DO NO HARM

Poor people in economically vulnerable countries must not find themselves paying new import duties on sales to the UK.



The UK is a big buyer of products from some of the world's poorest countries – to the tune of £34bn every year. As a result of EU measures, goods from a range of economically vulnerable countries currently entering the UK benefit from reduced taxes or are completely tax-free.⁹ Maintaining decent working conditions and livelihoods is a challenge, particularly when poor countries are trying to compete in global markets. These tax breaks help products from poorer countries remain competitive, making it easier for producers to sell their goods to countries like the UK. This helps support jobs and livelihoods, which increases money available for poverty reduction, human rights and environmental protection, all of which are central to the SDGs.¹⁰

If the UK leaves the EU customs union, as the Prime Minister has signalled, it must put in place equivalent provisions or an estimated £1bn in additional taxes could be added to imports from developing countries. This would significantly increase the costs of their products, potentially pushing farmers and workers into greater poverty, causing job losses and increasing pressure on labour rights, environmental protection and wages.



COFFEE FARMER LEONARD KADANDA AND FAMILY, TANZANIA

CASE STUDY: FLOWERS, KENYA



CURRENT TARIFF 0% FRESH CUT ROSES AND BUDS

Business is booming in the UK flower sector. The market is worth £2.2bn at retail level,¹¹ with 90 percent of cut flowers imported.¹² Kenya is the largest supplier of flowers imported into the EU, with a 38 percent market share and a value of £330 million in 2014.¹³ The sector supports the livelihoods of 500,000 people in Kenya, including 100,000 direct employees.¹⁴

The cut flower industry is one of Kenya's key foreign exports, contributing 1 percent of its gross domestic product and yet the future looks bleak. Without an equivalent trade deal post-Brexit, Kenya could face new tariffs of between 8.5-12 percent, which would undermine competitiveness in an already stressed supply chain.

Joab Gideon, who works at Longonot Horticulture in Naivasha, employs around 850 staff. He spoke of his concerns about Brexit. Gideon said: **'Right now we negotiate pay rises for staff salaries. If the tariffs were higher we wouldn't be able to do that, the cost of production would be too high.** It is already too high and if we had to add on extras, that would affect workers' incomes. Workers would suffer the consequences, we shall have to let people go.'

The farm exports 70-80 percent of its flowers to the UK and depends on this business. As Gideon says: 'We rely on the UK market, we just have a few buyers in Germany and people don't buy flowers in Kenya, so **a large percentage of our exports depend on [the] UK, if Brexit meant we lost this then we'll be suffering a lot.'**

The flower sector's margins are already very tight. Forecasting errors from customers and last-minute cancellations of orders have left many farms with losses. And according to Gideon, the situation has got worse **since the EU referendum. He says: 'Orders from supermarkets have gone down.** Sometimes we don't know why this is or what is happening on the ground in [the] UK, on the market side. Things have been depreciating since last year and now we're selling a small amount of flowers. We try to look for more markets but they are not coming up'.

Across the sector, Kenya's flower farms negotiate contracts with UK supermarkets in sterling. Since the devaluation of the currency against the euro and the US dollar, the value of their selling prices has reduced. At the same time, farms have had to buy chemicals, fertilisers and packaging in dollars and so are being squeezed at both ends. Despite this, and having made social investments to improve environmental protection and workers' conditions, farms are still under pressure to keep prices low. Businesses struggle to survive in these market conditions. One large farm in Naivasha has recently closed, and there have been significant layoffs at two others.

Gideon is worried about the impact on his local community if more people become unemployed or have to accept low wages – people are already unable to afford the basics. He says: 'Living costs in the area are increasing. Things are becoming more expensive as a consequence of development but people's earnings are not enough.'

WE'RE TRYING TO WORK TOWARDS HIGHER INCOMES, BUT TARIFFS WOULD MEAN MORE WORKERS WILL HAVE TO LOSE THEIR JOBS AS WE'VE SEEN IN OTHER FARMS AROUND HERE.

He adds: 'People still have to pay school fees, meals for families... [if they cannot afford these] they will have to leave the area. This is promoting poverty. For those who keep their jobs, working conditions could become poor – they won't care about welfare.'



BANANA FARMING, GHANA

2 ACT QUICKLY

Reassure economically vulnerable countries with an immediate offer of preferential access to the UK market.



Striking Free Trade Agreements (FTAs) with richer countries is likely to be the immediate priority for the government. But the need to set suitable arrangements in place for least developed countries and other economically vulnerable countries could easily be overlooked in the process. There is a need for urgent reassurance about the short-term market access arrangements that will apply. Economically vulnerable countries need to know they will continue to be supported in trading their way out of poverty.

Our recommendation is for the UK to immediately put in place a duty-free, quota-free market access scheme for least developed countries and other economically vulnerable countries. It would not be time-intensive or require extensive negotiations or government resources. It would ensure continuity and stability for investors, developing country producers and UK businesses alike.

This approach would comply with World Trade Organisation rules.¹⁵ And the UK would be joining a host of other leading economies including the USA, Japan, Australia, New Zealand and Norway, which operate similar schemes.

We would discourage a rush to FTAs with least developed countries and other economically vulnerable countries. FTAs between the EU and developing countries are controversial. They have been criticised for forcing developing countries to open up their markets prematurely, damaging their ability to nurture emerging industries and build up the job market. Our view is that attempting to set FTAs in place for economically vulnerable countries would take considerable time, and may not deliver good development outcomes once agreed.

CASE STUDY: SUGAR, MALAWI



CURRENT TARIFF 0% RAW CANE SUGAR

Malawi's Rift Valley is less than 50 metres above sea level and prone to severe flooding. Each rainy season, floods have become so severe that entire villages are washed away. 2015 was one of the worst years for farming co-operative Kasinthula Cane Growers Association (KCGA).

Farmer Charles Chavi says: 'There was not enough water for our crops because of the frequent power cuts and breakdown of the pumps. When the 2015 floodwaters receded, instead of pumping water, we found we were pumping silt. That's why we were not able to properly irrigate our crops.'

Since KCGA became Fairtrade certified in 2003, the community has benefited from Fairtrade Premium* investment in development projects including funding for schools, clinics, electricity and transport. Farmer Felix Marko says: 'I've farmed since 1998. Compared to cotton and maize farming, I've seen a big difference in the amount I've been receiving. With sugar, I'm able to send my children to school through the support of Fairtrade.'

The subsistence farmers that make up KCGA's members rely on the Fairtrade market for their income. Aubrey M Chilenje, a sugar cane farmer and member of KCGA, says: 'As farmers, our only source of income is sugar. If that's affected by Brexit, our lives are affected. If such changes continue, then we're going to be led into poverty and the system might be demolished. We're concerned about loss of opportunity to trade in the UK and EU market.'

Many of KCGA's members are concerned and uncertain about their future relationship with the UK. Charles Chavi adds: 'We believe we're going to be affected by Brexit unless we're assured of what is going to happen. Ninety percent of our Fairtrade sugar is sold in the UK. If all our sugar were to be sold in the UK, that could be an opportunity. But we're also not sure yet about taxes and what they hold for us.'

IF COSTS GO UP AND OUR SUGAR BECOMES MORE EXPENSIVE, WE'LL NO LONGER REMAIN COMPETITIVE AND SALES WILL DROP. FARMERS WILL NO LONGER BE ABLE TO PROVIDE FOR THEIR FAMILIES.

Brexit has come at a time when the community has suffered a fall in production in recent years, from 100 tonnes per hectare in 2010 to just 64 tonnes per hectare in 2016. They are also worried about how EU changes to sugar production will affect them.¹⁶ Read more about the background to this in Fairtrade's Sugar Crash report.

Aubrey Khumbo Nyasulu, Business Development Advisor at Fairtrade Africa's Southern Africa Network, says: 'Malawi is a landlocked country, so already our traders face high costs in terms of transportation compared to colleagues in Kenya. We already feel disadvantaged. If the price of sterling falls, it could be devastating for our producers, especially our Malawian sugar farmers.'

* The Fairtrade Premium is an extra sum of money, paid on top of the selling price, which farmers and workers invest in business or community projects of their choice.

3

LOOK AHEAD

Study the impact of planned trade deals with wealthier countries carefully, to make sure that they don't undermine poorer countries.



After Brexit, the government is likely to begin negotiations on a range of Free Trade Agreements (FTAs) with countries such as the USA, Canada, China, Australia and Singapore.

Deals with richer countries will have implications for developing countries, particularly where countries export similar products. For example, a trade deal with Brazil that brought more Brazilian sugar cane onto the UK market could push out sugar farmers in very poor countries such as Malawi and Mozambique.

The Prime Minister herself has acknowledged the risk, noting in a letter¹⁷ to the Bond network of UK development charities:

'We will consider the impact of new trading arrangements, including on those countries not directly involved in the agreements, and ensure that these are taken into account as the UK develops its international trade policy.'

The implications of new deals will be complicated and far reaching. To put this promise into practice, the UK government must carry out timely impact assessments as part of all negotiations and take steps to ensure new FTAs do not undermine developing countries' economies.

These impact assessments should check whether new deals will support the targets set by the Sustainable Development Goals (SDGs). They should consider the consequences for developing countries in relation to gender equality, human rights, environmental protection and climate action, along with economic and social implications.

But the issues mustn't stay locked up in impenetrable technical reports. There needs to be transparency and open discussion, so that risks and opportunities for developing countries can be spotted and acted on. Farmers who will be affected by decisions made in Whitehall have the right to have their say.

Parliament has a crucial role. It is currently MEPs in Brussels who scrutinise trade deals. In future, it will be UK MPs who must ensure that our trade policy works not just for the UK, but also for farmers and workers around the world. We want MPs to scrutinise future trade policies against the UK's existing commitment to the SDGs, human rights, environmental protection and taking action to tackle climate change and modern slavery. This kind of accountability will also help build public trust and support for trade policy decisions.



FARMER FELIX MARKO, KASINTHULA CANE GROWERS ASSOCIATION, MALAWI

CASE STUDY: BANANAS, DOMINICAN REPUBLIC



A FIFTH OF THE UK'S BANANAS COME FROM THE DOMINICAN REPUBLIC¹⁰

The Dominican Republic is the main banana producing country in the Caribbean. It benefits from duty-free access to the UK under an Economic Partnership Agreement with the EU. But producers are saying it is becoming hard to compete with Latin America, which now accounts for more than 60 percent of banana imports. They are concerned about the impact of further changes to trade policies.

Jetta Van Den Berg, Director of exporter Quinta Pasadena, has been working in the sector for almost 30 years. She says: 'In the 1990s we were protected by quotas and for the last 10 years, another tariff system but now that's slowly disappearing. At the moment we do not pay import tax to Europe but Ecuador and Colombia do – it is this system [that] makes it possible for us to compete.'

IF THE UK HAD A FREE TRADE AGREEMENT WITH ECUADOR – OUR COUNTRY WOULD NO LONGER BE ABLE TO EXPORT. THE BANANA INDUSTRY IN THIS COUNTRY WOULD NOT SURVIVE. »

The UK is worth roughly £8m for Quinta Pasadena, which sources fruit from organic and Fairtrade farms and plantations in the Dominican Republic. Jetta explains: 'The UK is our natural market. Before, 80 percent of bananas went to the UK and we used to get good prices. Now, there is an enormous pressure on price. We don't know what the impact of Brexit will be across the rest of Europe. Prices year by year are going down. As a Dominican farmer we have to think what will the future bring?'

Marike de Peña agrees. Marike is Director of Banelino, and sits on the international Fairtrade system's Board. Banelino is a small-producer organisation in the Dominican Republic which represents more than 300 farmers and 70 employees. The group produces around 25,000 boxes (18.14kg) a week and 70 percent of its business goes to the UK. Marike is concerned that Brexit could lead to even lower prices for bananas and a reduction in the volumes they sell under Fairtrade terms, which would be unsustainable. 'Banelino would not even survive without Fairtrade.'

Smallholder farmers and plantations say that due to ongoing supermarket price wars in the UK, the price of bananas has been driven down. They are concerned that ever cheaper bananas could put them out of business, recalling what happened to the Windward Islands. The number of banana farmers dramatically fell from 24,000 in the 1990s to less than 1,000 to date as they struggled to make a profit from the industry. Marike adds: 'Any tariff or import tax on bananas from the Dominican Republic and the Windward Islands will make it very difficult for small producers to compete.'

Dominican Republic producers have focused on increased efficiencies and business improvements, while maintaining good working conditions and environmental protection. Many producers switched to the organic market but Jetta says that could come under threat from Ecuador if they were to get a Free Trade Agreement, as they are able to produce more cheaply.

The Dominican Republic's banana industry is also currently under extreme strain following recent floods which damaged 5,500 hectares. After more than three years of drought, the rains came in 2016, flooding farms and causing damage worth £36.1m to the banana sector. Jetta says: 'We lost 50 percent of production. In five years, we had between 300-500ml of rain per year. Last year, there was 3,000ml in five months. The climate is totally against us.'

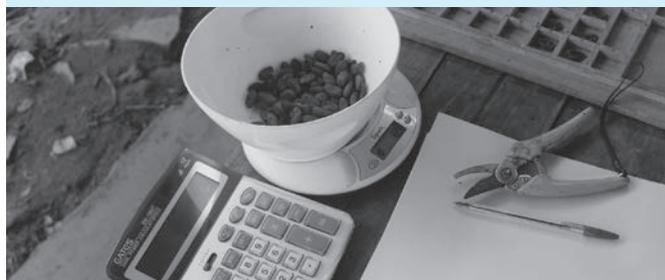
Once the floods subsided, many farms saw crops destroyed by black sigatoka, a fungal disease which flourishes in damp conditions. With the right agricultural management, Jetta says that these problems can be mitigated against, but that requires investment and support.



COFFEE PROCESSING IN TANZANIA

4 GO FURTHER

Make it easier for developing countries to sell higher value products to the UK, and put in place trade policies to tackle poverty in line with the UK promise to deliver the SDGs.



All of these risks are avoidable. In fact, there is an unprecedented opportunity for the UK to stand out from the crowd, go beyond existing EU trade rules and set the gold standard in fair trade, helping millions around the world.

We have already explained the need for the UK to set in place duty-free, quota-free market access for economically vulnerable countries so that their imports would enter the UK without taxes.

The UK could do better than the EU, by giving preferential access to a wider range of developing countries than benefit at present. We recommend that tariff-free deals could be extended to other countries, in addition to least developed countries. That includes those that play an important role in regional economic development, provided they meet an objective criteria to measure how economically vulnerable they are.

The UK could also improve on existing schemes by ending tariffs on all products. For example, processed goods like roasted coffee can currently be subject to additional charges, depending on the trade arrangements for the country of origin in question. Ending tariffs on all products could enable farmers to invest in equipment to produce 'value-added' processed or manufactured goods for export. This would increase incomes and have a positive impact on the rest of the economy by keeping more of the value of a product in the country.

Encouraging value-added produce can have a powerful effect on poverty reduction. Independent research into Fairtrade coffee production in Uganda found that when farmers were able to invest in processing equipment (because of the Fairtrade Minimum Price* and Premium) they were able to sell a higher value product, and their income increased by a third at household level.

* The Fairtrade Minimum Price is the minimum that farmers' organisations/ producers are paid when selling their products through Fairtrade, and acts as a safety net when market prices drop.

CASE STUDY: COFFEE, TANZANIA



CURRENT TARIFF 0% ROASTED COFFEE



CURRENT TARIFF 0% DECAFFEINATED COFFEE

Leonard Kachebonaho is one of the founders of coffee co-operative Kaderes Peasants Development Plc (KPD). KPD is located in Karagwe, in Tanzania's north-west highlands, where the climate and rich soils provide perfect conditions for coffee cultivation. And yet like many communities all over the world, due to volatile international prices for coffee, Leonard's community was trapped in poverty, unable to sell what they grew for decent prices. Since joining Fairtrade, farmers get better prices for their coffee and the co-operative has grown, with 60,000 people benefiting.

Between them, farmers sell coffee to the UK worth around \$2m, and a similar amount to the rest of the EU. These sales have enabled the co-operative to invest in training and improving their farming methods. Quality has improved as a result and they are now producing organic coffee, which attracts even higher prices. The local community has also benefited from the Fairtrade Premium. In this rural area, there were no local healthcare facilities or schools and so they chose to build a secondary school and medical dispensary.

Leonard is concerned that the farmers may lose sales which they depend on to expand their businesses and support the region's social and economic development. Leonard's company sells its coffee to a medium-sized ethical coffee company which processes the coffee in Germany before it is finally sold to countries around the EU, including the UK. If trade between the EU and UK becomes harder or more expensive, it could put Leonard's costs up considerably. He says:

‘I'M WORRIED IT MIGHT AFFECT THE MARKET AND PRICE. COFFEE IS THE LEADING SOURCE OF INCOME TO THESE FARMERS.’

Leonard adds: 'Reduced profitability margins will affect strategies for improving the business and competitiveness, planned dividends to members will be difficult to honour and levels of premiums [Fairtrade Premium] will be affected.'

Leonard thinks that there are opportunities, and that the government could make changes to UK trade rules which would help his co-operative and boost sales of ethical products. He says: **'It could consider special tariffs for businesses (UK and Tanzania) with clear and established social responsibilities, for example, focusing on developing capacities of farmers and those dealing with Fairtrade products. The UK government could also support imports from East Africa through subsidised taxes or exemptions.'**

The co-operative has an exciting growth strategy to create higher value products through more sophisticated processing. They would like to buy coffee washing stations and cupping facilities to improve the quality, taste and aroma of their beans, and also start selling roast coffee. If they can do this they will keep more of the retail price for the benefit of their members. The co-operative needs investment to do all of this. UK trade rules could also help make these plans a reality, by ensuring that processed coffee doesn't get charged import tax.

5

USE AID AND INVESTMENT WELL

Make sure that UK aid and investment helps the poor and vulnerable to benefit from trade.



In addition to the potential impact of the UK's international trade policies outlined in this report, the UK government already has a great deal of influence on developing countries. This is through investment by UK companies in these countries and the work of the Department for International Development (DFID).

UK company investments in developing countries are often governed under Bilateral Investment Treaties which set rules and responsibilities for investing companies and national governments. However, there is evidence that such investment agreements are not always effective tools to drive investment into developing countries,¹⁹ and in some instances may hinder

Sustainable Development Goals (SDGs). A common criticism of UK Bilateral Investment Treaties is that they can make it difficult for developing country governments to make policy in the public interest due to 'investor protection' provisions. We urge the government to use Brexit to review the UK's approach so that British investment can better contribute to development objectives, providing inclusive jobs for the poorest, while also respecting developing country governments' leading role in their own policymaking.

In 2015, the government made history, by enshrining in law a commitment to spend 0.7 percent of national income on international aid, amounting to approximately £12bn last year. DFID's aid programme has made significant strides in core areas in the SDGs, such as education and healthcare. The UK has put considerable resources behind developing aid programmes aimed at supporting trade and is prioritising Aid for Trade in its new Economic Development Strategy. If Aid for Trade is to lead to poverty reduction, it is important that these programmes go beyond making trade easier for already well-resourced companies and focus more on smaller and more marginalised producers.²⁰ This includes small businesses and entrepreneurs, particularly those in rural, agricultural communities who need greater access to finance, training and support to become more involved in negotiation and local decision-making. Programmes which focus on women in supply chains, improved business skills, and quality and innovation similarly help producer organisations to use trade to become strong independent trading partners and deliver good jobs and livelihoods.



MEMBERS OF KUAPA KOKOO COCOA CO-OPERATIVE, GHANA

CONCLUSION

As the government begins to rewrite the UK's trade policy, the stakes are high, not least for farmers and workers around the world. We call on the government to build on its historic leadership in poverty reduction, and plan future trade with full consideration for the needs of economically vulnerable countries as well as our own national interest. We want to see the UK lead the world and deliver a trade policy that enables communities in Britain, and around the globe, to prosper.

It is time to redress the balance of trade. British consumers have for years enjoyed products from across the world, and increasingly supported ethical and sustainable consumption. Consumers care that many of the people who help put food on our tables, or make the products we buy, don't earn enough to look after their own families. This report has selected a few case studies to highlight the concerns of producers, but we could have chosen many other examples. There are tens of millions of jobs and livelihoods involved all around the world.

The new research published in this paper reveals the possible economic impact on countries if no plan is put in place.²¹ Since the referendum, ministers – including the Prime Minister herself – have made broad pledges to make trade work for development, but there has been no detail. Now is the time to reassure developing countries, and the farmers and workers who grow the food we eat, and manufacture the goods we buy, that the UK is on their side.



REFERENCES AND OTHER SOURCES

- ¹ Oxfam report: *An Economy for the 99%*, January 2016, Deborah Hardoon, <http://policy-practice.oxfam.org.uk/publications/an-economy-for-the-99-its-time-to-build-a-human-economy-that-benefits-everyone-620170>
- ² *Post-Brexit Trade: Options for continued and improved market access arrangements for developing countries*, February 2017, Matt Grady
- ³ £1bn is an estimate of ad valorem duties based on UK continuing current EU tariff schedule. Taken from *Post-Brexit Trade and Developing countries: Can the UK set the Gold Standard in Development-Friendly Trade Policy?* Joint briefing by Traidcraft, Christian Aid, Fairtrade Foundation, Trade Justice Movement, Oxfam, Matt Grady, <http://www.traidcraft.co.uk/media/63f90f7d-ec2a-4394-a604-b4cfef0e438f>
- ⁴ Ibid
- ⁵ Ibid
- ⁶ Fairtrade Foundation analysis, based on data from *Country Population Statistics*, Kenya National Statistics Bureau, 2010
- ⁷ IFC, *Using market insights to improve local supply chains: the case of cocoa smallholders in Côte d'Ivoire, Inclusive Business Insights and Analytics*, International Finance Corporation, 2013
- ⁸ United Nations <http://www.un.org/sustainabledevelopment/>
- ⁹ http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index_en.htm
- ¹⁰ <https://sustainabledevelopment.un.org/post2015/transformingourworld>
- ¹¹ <http://www.flowersandplantsassociation.org.uk/industry/uk-market.htm>
- ¹² <https://www.theguardian.com/environment/2016/jun/11/british-flower-power-how-home-grown-blooms-compete-with-cheap-imports>
- ¹³ http://kenyaflowercouncil.org/?page_id=92 accessed 26.09.16
- ¹⁴ Ibid
- ¹⁵ https://www.wto.org/english/docs_e/legal_e/enabling1979_e.htm
- ¹⁶ *Sugar Crash*, Fairtrade Foundation, February 2015, <http://www.fairtrade.org.uk/~media/fairtradeuk/what%20is%20fairtrade/documents/policy%20and%20research%20documents/policy%20reports/fairtrade%20foundation%20sugar%20crash%20report.pdf>
- ¹⁷ Letter from Prime Minister Theresa May to Bond, 9 September 2016, <https://www.bond.org.uk/news/2016/09/the-prime-ministers-letter>
- ¹⁸ Britain's Bruising Banana Wars, Fairtrade Foundation, February 2014, <http://www.fairtrade.org.uk/~media/fairtradeuk/what%20is%20fairtrade/documents/policy%20and%20research%20documents/policy%20reports/britains%20bruising%20banana%20wars.pdf>
- ¹⁹ UNCTAD 2014: Trade and Development Report 2014: Global governance and policy space for development, New York/ Geneva, p. 159
- ²⁰ https://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm
- ²¹ *Post-Brexit Trade: Options for continued and improved market access arrangements for developing countries*, February 2017, Matt Grady

traidcraft.co.uk
campaign@traidcraft.co.uk

fairtrade.org.uk

**Fairtrade Foundation, 3rd Floor,
Ibex House, 42-47 Minories,
London EC3N 1DY**

Tel: +44 (0) 20 7405 5942 Email: mail@fairtrade.org.uk

Registered charity no. 1043886

A company limited by guarantee, registered in England and Wales no. 2733136

Photography credits: Chris Terry, Simon Rawles, Matt Crossick, Suzanne Lee, James A. Rodríguez,
James Robinson, Eric St-Pierre, Joerg Boethling, Marco Garofalo, Anette C. Kay, Linus Hallgren,
Fran Afonso, Kristina Eggers, Kennet Havgaard

