

Our Trade Justice Activities

Fair Trade to Trade Justice

Fairtrade brings tangible and invaluable benefits to producers all over the South. However, only a small percentage of the total number of farmers, craftspeople and workers who are dependent on trade receive those benefits because the Fairtrade market, although growing, is small. Most producers operate within a system of trade which is far from fair in that they cannot make a decent living from the price they obtain for their products. Fairtrade campaigners are therefore also involved in pressing for changes in this system.

Aims of trade justice campaigning

Our main aim is to address the problems which developing countries face in their trading relationships with the rest of the world, especially with the rich countries of the G7ⁱ. But we also look at other issues connected to world finance and their effects on developing countries.

To do this we obviously need to take a close interest in the way the rules and regulations for both trade and finance, which are largely drawn up by the rich countries, affect poorer countries. And when we find anything which has a really serious adverse impact we decide what action, if any, we can take.

Trade Justice topics

A trade justice topic which demonstrates the struggle which developing countries face in the area of global trade are the Economic Partnership Agreements [EPAs] between the EU and the African, Pacific and Caribbean [ACP] countries. The need for such agreements arose from the challenge made in the World Trade Organisation [WTO] to long established agreements between the EU and the ACP which has offered a degree of protection for the exports from the ACP countries, most of which were former European colonies. The agreements require trade liberalisation - the removal of tariffs - in return for continued entry for ACP goods into EU markets. There has been much criticism of the way these agreements have been pushed through under threat of the total removal of protection and diminishing levels of aid. This approach has resulted in rushed deals, removing the opportunity for appropriate expert or public scrutiny as well as debate of the content either in ACP countries or Europe.

Negotiations with groups of African countries have been especially protracted. Comprehensive agreements that were agreed - between the EU on the one hand and West, Southern and East African groups - remain at the initialling stage, having not yet moved to signature and ratification. At present, because the EU set 1st October 2016 as the deadline by which the comprehensive EPA texts must be

ratified, failing which countries that had their access preserved after conclusion of negotiations – namely Botswana, Ivory Coast, Ghana, Namibia, Swaziland and Kenya – would again lose preferential access to the EU.

Bananas and Sugar

Two products of particular importance to some ACP members have been dealt with outside the EPA negotiations: bananas and sugar. Under pressure from the WTO, the EU has withdrawn protection for these two products. The Fairtrade Foundation has lobbied for protection for farmers suffering from the impact of these changes. We have supported these campaigns.

In 2015, the Fairtrade Foundation ran a campaign highlighting that 200,000 cane farmers in low income countries would be pushed further into poverty by the EU policy changes removing restrictions on production of locally-grown beet sugar in 2017. This has already had a substantial impact for cane sugar farmers in African, Caribbean and Pacific countries. In 2015 the price of sugar in the EU was 30% lower than in 2006.

Protection for bananas was withdrawn after an agreement reached in December 2009. The price of bananas fell and led to bitter banana price battles between the UK's biggest supermarkets. The Fairtrade Foundation launched a campaign, which we participated in, to tackle the impact of this 'banana war' on small farmers. This campaign is ongoing,

WTO: Doha Round

We have for some years been following the progress of the **Doha Round** of talks through the World Trade Organisation. These talks drag on without coming to any conclusion as the richer nations demand concessions from the developing countries, which in turn are refusing to yield. One reason for this is that the US in particular, but also the EU, feel threatened by the rise of China as a trading nation. Another hindrance is that changes to the rules of trade require the agreement of all WTO members.

There has been just one significant agreement and that was in 2013 on **trade facilitation**, which is designed to cut red tape and speeding up port clearances.

The most recent **Ministerial Meeting of the WTO** was held in Nairobi – the first time it has been held in an African country – in December, 2015. There have been very mixed reactions to what happened there. One agreement which may be beneficial to developing countries is a mandate to hold further talks on a new "special safeguard mechanism" that developing countries would be able to use to raise tariffs temporarily in order to protect domestic producers from sudden import surges or price depressions. Negotiators were also instructed to agree on a

“permanent solution” to the problems that some developing countries face under WTO farm subsidy rules when buying food at government-set prices as part of their public stockholding programmes for food security purposes.

Cotton at the WTO

The issue of cotton has been on the agenda of the WTO since The Cotton Sub-Committee was set up in November 2004 to focus on cotton in the Doha Round talks (see below) as a result of the decision earlier that year which stated that cotton would be addressed “ambitiously, expeditiously and specifically” within the agriculture negotiations. This commitment remains unfulfilled. Although the briefing note on the WTO website gives the impression of positive moves at Nairobi to assist these farmers, the international Fair Trade Advocacy Office has published a report entitled **Power to West African Farmers** which identifies the weak position of the farmers. The report makes recommendations to West African Governments, the European Union Institutions and the G7 countries for actions which would empower them. Among these are that cotton-producing countries should consider launching a dispute settlement case at the WTO and, at the same time, try to find a political solution as the US found with Brazil. This solution made available reparations which could be used to promote measures towards the improvement of cotton supply chains, in particular to guarantee a living income for small cotton farmers and living wages for their workers.

Demise of Doha?

There seems to be widespread, if unofficial, agreement that the **Doha Development Round**, initiated in 2001, with its promise of a multilateral deal on trade measures for development has been abandoned and replaced by interstate treaties. A proposal for such a treaty between the US and the EU, has become the focus of attention for Trade Justice campaigners.

The Transatlantic Trade and Investment Partnership [TTIP] has been widely criticised for the threat it is reckoned to pose to EU food standards which are higher than those of the US, and for the investor-to-state dispute settlement [ISDS] clauses. It is argued that these clauses, which are already included in other trade treaties, make it possible for major corporations to block government policies with the support of secret arbitration tribunals operating outside the jurisdiction of domestic courts. For example, companies will be allowed to appeal against regulations or legislation that depress profits, resulting in fears that multinationals could stop governments reversing privatisations of parts of the health service, for example.

These campaigns seem to have had some success in that the negotiations are proceeding very slowly; what stage they have reached is hard to say since they are conducted in private, although MPs and MEPs have been given permission to view TTIP documents in secluded rooms and to make notes with pencil and paper.

Campaigning

As campaigners we can only play a very small part in these global issues. But do contribute when we can to the activities of NGOs such as Oxfam, Christian Aid and Global Justice Now which are all part of the Trade Justice Movement.

So how do we lobby? We write letters to ministers, MPs and MEPs, and sometimes to companies. We also take part in public protests at local and national level to bring the problems of developing countries to the attention of the press and to those who can influence negotiations.

Tax Justice

As campaigners we have also become involved in tax justice. Tax justice relates to the question of unfairness in trade in that tax is the most sustainable source of finance for development. The long-term goal of poor countries must be to replace foreign aid dependency with tax self-sufficiency. Developing nations in Africa, Latin America and elsewhere are especially vulnerable to the practice by multinational companies of using **Tax Havens**. Tax havens are estimated to be costing poor countries at least \$170bn in lost tax revenues every year. While corporate tax dodging affects all countries, including the UK, developing countries are hardest hit by this tax abuse.

Action on tax has the potential to deliver gains to poor countries that are orders of magnitude greater than what can be achieved with aid. To meet the Millennium Development Goals, OECD countries have been urged to raise their levels of aid to 0.7 percent of Gross National Income – but this is as nothing when compared to potential tax revenues: in some rich countries, tax constitutes over 40 percent of GDP.

Base Erosion and Profits Shifting [BEPS]

Since 2013, the Organization for Economic Cooperation and Development [OECD] has been working on a 15-item Base Erosion and Profits Shifting [BEPS] action plan with the aim of closing “loopholes” that allow multinationals to reduce their taxes drastically and opening up the whole issue to transparency. The project has faced criticism that it neglected developing countries. More than 100 developing countries were never invited to the decision making meetings. They were invited to send comments to public hearings, participate in regional consultations, as were civil society organisations and businesses.

Oxfam has published a briefing report Oxfam entitled **Ending the Era of Tax Havens** in which it provides an analysis of the weakness of the OECD action plan as far as developing countries are concerned. One important aspect of the reforms proposed was country-by-country reporting. It has been a longstanding demand of

civil society organisations for multinationals to report on their activity (including tax paid) on a country-by-country basis, so that major distortions could be seen and challenged.

From the outset, the key element of the proposal was transparency: the data must be public so that both companies and tax authorities can be held accountable. But the data will, at present, only be provided to home country tax authorities (i.e. mainly those in OECD member countries). Highly conditional mechanisms then apply for whether that information can be shared with tax authorities in developing countries where the multinational operates.

Moreover, EU draft legislation for public disclosure of turnover, profits and numbers of employees will only be made compulsory for tax jurisdictions “within the EU”. Data for companies doing business in the EU but with operations outside of the 28-member bloc will not have to be disclosed. George Osborne had responded to the enormous public anger over Google’s recent tax settlement by committing to deliver on country by country reporting: it remains to be seen whether the UK will act unilaterally or if all member states will act together.

ⁱ The G7, Group of Seven is a forum, created by France in 1975, for governments of seven nations of the northern hemisphere: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States; Russia was a member of the then G8 but was suspended in 2014. The European Union is represented within the G8, but cannot host or chair.