Fair Trade principles can transform the European Green Deal: moving towards a Global Green Deal

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Abstract
The European Green Deal (EGD) is a comprehensive plan proposed by the European Commission to transform the EU into a sustainable, climate-neutral economy by 2050. It includes targets for reducing greenhouse gas emissions, increasing renewable energy use, promoting circular economy, and protecting biodiversity, among others. While its objectives are vital, the EGD in its current configuration suffers from major loopholes which seriously affect its capacity to meet its core ambition of a ‘just
transition’, both within and outside the EU. This paper identifies the main EGD shortcomings and outlines how the recognition and integration of Fair Trade principles and values would greatly improve its capacity to drive positive change within Europe as well as with international partners of the Global South. It will explain how the Fair Trade Advocacy Office (FTAO) will facilitate an informal process aiming to co-elaborate a proposal for a Global Green Deal (GGD) ahead of next year’s EU election.

**Keywords:** European Green Deal; Global Green Deal; Paris Agreement; just transition; social justice and equity

### The European Green Deal and Its Shortcomings

The coming COP28\(^1\) to be held from 30 November to 12 December 2023 in Dubai, United Arab Emirates, will review and assess the ‘collective progress’ made towards the achievement of the Paris Agreement (2015) and its long-term goals in the first global stocktake. States and regions have started to commit to long-term emission reduction goals since the end of the previous decade. In December 2019, the European Union’s (EU’s) long-term commitment was designated as the European Green Deal (EGD),\(^2\) which is an ambitious policy framework addressing key policy drivers to attain climate neutrality by 2050. One of the key components of the European Green Deal is its focus on a just transition, ensuring that no one is left behind. It is addressed, among others, through a just transition mechanism,\(^3\) providing EU countries with the finance they need to support the regions and sectors that are the most affected by the green transition.

The reception of the EGD by civil society organizations has been rather positive, notably in relation to the novel, wider approach taken by the EU executive. However, as and when implementation of the package evolved,

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1. COP28 UAE | United Nations Climate Change Conference (UNFCCC).
many critical voices pointed to the lack of overall policy coherence and major shortcomings and inconsistencies of the flagship initiative. The EGD only adequately covers twelve sustainable development goals (SDGs) out of the seventeen SDGs of the 2030 Sustainable Development Agenda (SDA). The main criticisms have, however, concerned the inadequacy of proposed measures towards implementing a truly just transition. The social dimension of the EGD is narrowly promoted via the financing of vulnerable countries, regions and households, and there is a lack of structural measures and means to ensure a socially just transition to a more sustainable EU economy. The social impacts of the EGD measures at the level of the EU trading partners are largely unaddressed. The aspirations and leverages of the ones producing goods and services for the EU at the international level (farmers, workers, SMEs and artisans) are not explicitly recognized. The EU has not fully considered the potential compliance challenges and/or gaps for the stakeholders that are in the weakest position in global supply chains (for example, smallholders) to avoid EU legislation reinforcing existing power imbalances. The Climate Action Tracker, which provides independent scientific analysis to track progress towards the globally agreed temperature goal of the Paris Agreement (‘holding warming well below 2°C, and pursuing efforts to limit warming to 1.5°C’), qualifies the EU’s targets as ‘insufficient with regard to a fair share emissions allocation’, pointing to the need to provide additional support, including financial support, for emissions reductions in developing countries.

The Sustainable Development Solutions Network (SDSN), a global initiative to promote integrated approaches to implement the SDGs and the Paris Agreement, welcomed the EGD but regretted that too little has been done to moderate the significant spillover effects of European countries on the rest of the world, notably through unsustainable supply chains. In a recent report on the ‘global commons stewardship’, the SDSN notes that the EU27 has managed to ‘decouple’ economic progress from increased CO₂ emissions for

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5 Home | Climate Action Tracker.
6 EU | Climate Action Tracker.
7 Sustainable Development Solutions Network (unsdsn.org).
8 Europe Sustainable Development Report 2022 (sdgindex.org).
itself but that further efforts are needed to decouple socio-economic progress from negative impacts on the global commons embodied in EU trade. Mitigating the constantly growing EU consumption of imported goods and services is not among the objectives of the European Green Deal. The European Commission has started to address some of these spillover effects through:

- Banning EU imports of products made with forced labour: the Regulation proposal\(^\text{10}\) is currently under discussion at Council and European Parliament level (SDSN and the University of Sydney, in cooperation with the German Government, showed that each year, through international trade and across all industrial sectors, the EU’s consumption is associated with 1.2 million cases of modern slavery and 4,200 fatal accidents at work in the world\(^\text{11}\)).

- Banning EU imports of certain commodities (such as cattle, cocoa, coffee, palm oil, soya and wood) that have been produced from deforested land or have led to forest degradation\(^\text{12}\) (EU consumption accounts for about 10 per cent of global deforestation, mostly through palm oil and soya production, itself responsible for more than two thirds of forest clearance).

- Putting in place a Carbon Border Adjustment Mechanism\(^\text{13}\) to put a price on the carbon emitted during the production of certain carbon intensive goods (cement, iron and steel, aluminium, fertilizers, electricity and hydrogen) that are entering the EU, and to encourage cleaner industrial production in non-EU countries (domestically, GHG emissions in the EU were about 9.0 tonnes of CO\(_2\)-eq. per capita in 2015. An additional 6.3 tonnes of CO\(_2\)-eq. were emitted elsewhere to satisfy European consumption of goods and services in 2015 – approximately 40 per cent of its total CO\(_2\) footprint\(^\text{14}\)).

A proposal for a Corporate Sustainability Due Diligence Directive\(^\text{15}\) is also currently at discussion level between the two EU co-legislators. It aims to foster

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11 Press Release | EU’s Consumption is a Major Driver of Forced Labour and Accidents at Work Globally, says New Study by SDSN and the University of Sydney – Home (sdsnuk.org).
13 Carbon Border Adjustment Mechanism (europa.eu).
15 HCorporate sustainability due diligence (europa.eu).
sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies’ operations and corporate governance. Businesses would have to address adverse impacts of their actions, including in their value chains outside Europe.

Even though these efforts are welcome, they remain too fragmented and do not aim to address the externalities of the EU consumption in a comprehensive and consistent manner. Furthermore, these piecemeal measures have not been conceived on the basis of a fair and transparent partnership with our trading partners. The current EGD cannot be regarded as compatible with the core principle of the Paris Agreement, which ‘requires international cooperation and coordinated solutions at all levels’. It has to be transformed into a GGD to acknowledge that European efforts must be undertaken in harmony with ones from the rest of the world and in particular from the Global South. If the future trade policy of the EU is to genuinely contribute to a sustainable, just and transformative goal at global level (that is, the 2030 SDA) then the principles and benchmarks which are embedded in the Fair Trade movement need to be more clearly recognized. A wider vision to address the root causes of the spillover effects embedded in the EU trade policy is needed and this vision should be shared with our trading partners on the basis of mutual benefits.

Applying the Key Assets of Fair Trade in Shaping a Global Green Deal Grounded on Social Justice and Equity

The Fair Trade Advocacy Office (FTAO) proposes a clear vision of a European Green Deal transformed into a Global Green Deal thanks to the EU trade policy applying the principles and values of Fair Trade to underpin a global just transition. The FTAO proposal to establish a Global Green Deal is supported by FI and WFTO.

Since the 1970s, the Fair Trade movement has been developing analyses and policy proposals, and engaging in concrete action as to how trade can become just and fair for all stakeholders involved. It has addressed some of the fundamental assumptions, power imbalances and dilemmas inherent in global trading systems, which bear a considerable responsibility in increasing the

16 The Paris Agreement | United Nations.
inequality gap and overall greenhouse gas emissions. The principles of Fair Trade are set out in the International Fair Trade Charter.\textsuperscript{17}

Mainstreaming Fair Trade approaches in the Global Green Deal can lead to the following achievements:

- **Transforming trade on the ground of the ethics of social and environmental justice:** Fair Trade addresses some of the structural inequalities and dilemmas inherent in the trading systems upon which the EU heavily relies. At the core of the Fair Trade concept lies the goal of guaranteeing living incomes and wages,\textsuperscript{18, 19, 20} respect for human rights and the protection of the environment by promoting fairer business models. In a context of structural economic imbalance, ensuring that smallholder farmers have an easier access to market and can get fairer prices and a premium is a very important tool to transfer wealth back to them. This is only one of the many benefits Fairtrade certified producers get. Fair Trade Enterprises in the Global North and South do not only allow producers, workers and farmers to receive stable and fair incomes but also create and support business models that drive effective societal and economic change by applying environmentally sound and social principles.

- **Combining social and environmental concerns along value chains:** Fair Trade practices are based on working with all supply chain actors and beyond (government, businesses, producers and workers, as well as end consumers) for transforming business practices towards a model that puts people and the planet first. This means taking into account both the social and environmental impacts of a product or service, as well as the economic considerations. Fair Trade practices include promoting sustainable sourcing, encouraging collaboration and partnerships between stakeholders along the value chain to address sustainability, educating consumers, measuring and reporting on social and environmental performance, re-defining corporate responsibilities and working towards more sustainable economies. The EU must offer its

\textsuperscript{17} International Fair Trade Charter Defines Vision for a Fairer World – Fair Trade Federation.
\textsuperscript{18} 2017-10-23_Fairtrade_Living_Income_strategy_EN.pdf.
\textsuperscript{19} Implementing_SDG8_through_the_WFTO_Fair_Payment_Process_full_report.pdf (wfto-europe.org).
\textsuperscript{20} LiCop resources | livingincome (living-income.com).
trading partners fair agreements that promote further processing and value creation locally – and thus trigger a sustainable development boost inside and outside EU borders. It should also facilitate and support the development of sustainable and fair local production and consumption within the EU.

- **Tackling gender inequality**: Fair Trade promotes women’s participation in trade and economic activities, their representation in decision-making and leadership roles and an equal repartition of benefits and access to funding opportunities and resources.²¹

- **Feeding bottom-up processes**: Fair Trade entrusts a greater role to citizens, workers, smallholders, artisan and communities at local level, recognizing their leverage as powerful actors of change. For smallholder farmers, this involves empowering and supporting local communities to take control of their own agricultural production and development. This approach recognizes their knowledge and expertise and encourages them to participate in decision-making processes.

- **Achieving measurable progress on making production and consumption patterns more sustainable and circular**: Fair Trade encourages producers and citizens to include social and environmental criteria into their decisions. Fairtrade minimum prices are calculated on the basis of the cost of sustainable production.

- **Supporting a progressive transition to more sustainable agricultural practices**: Fair Trade supports farmers in transitioning to more sustainable practices by using organic or low pesticide production methods wherever possible to minimize environmental impacts. Fairtrade commodities tend to have a lower carbon footprint than their conventional ones as a growing number of Fair Trade producer organizations and enterprises use organic or low pesticide production methods. Most Fair Trade certified farmers are organic certified because they target the same market. But such a transition involves more than the phasing out of pesticides. It means addressing soil degradation, water pollution and deforestation, which can have long-term negative impacts on the environment. More sustainable agriculture practices

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²¹ Gender-responsive evaluation | European Institute for Gender Equality (europa.eu).
lead, in the mid-term, to better yields, a greater product quality and decreased costs, bringing better economic prospects for farming communities. Finally, as agriculture is a significant contributor to greenhouse gas emissions, adopting sustainable agricultural practices can help reduce emissions and promote climate resilience in farming communities.

• **Providing fair prices to producers:** Fair Trade provides fair prices to producers as a way to partly address the extended responsibility of the EU for past, current and future contributions to climate change, especially when they disproportionately hit partner countries in the Global South. Any true just transition must include ensuring adequate support to vulnerable actors globally when the EU contributes to accentuating climate change at partner countries’ level. As about 40 per cent of the EU’s carbon footprint stems from its global trade, the EU and the economic actors involved in these value chains should bear the responsibility of contributing to its mitigation and adaptation where it is most needed. In that respect, fair prices that cover the costs of sustainable production will be key in ensuring that smallholder farmers and other small and medium-sized enterprises (SMEs) globally are able to limit and cope with climate change damages.

• **Supporting local Fair Trade to move the application of Fair Trade principles beyond their traditional model of North–South collaboration:** Fair Trade traditionally aims for shorter supply chains with fewer intermediaries between the producer and the consumer, ensuring more transparency for both actors and a larger share of the consumer price for the producer. On the other hand, the movement towards more local supply chains primarily focuses on supporting local production practices and reducing greenhouse gas (GHG) emissions. It is key to include Fair Trade principles to the concept of local production to maximize the two local and short approaches and work towards a localized production and consumption, worldwide, addressing both environmental and social impacts of a given sector. Localizing Fair Trade should primarily contribute to a rethinking of the distribution of value throughout local communities everywhere.
Influencing EU Decision-Makers Ahead of the Next EU Election

The new European Commission that will come into office after the EU election in May 2024 will have the task of transforming the current EGD to make it more effective and legitimate from within and outside the EU. It is indispensable that this new European Commission reforms the way of preparing the content of the new EGD by involving non-EU countries and in particular countries from the Global South in the preliminary debates. So far, the adjective ‘European’ before the words ‘Green Deal’ suggest that the EU strategy is self-centred and lacks the global vision needed to address the climate emergency hand in hand with the international community. The EU cannot sustain the pretence of being the world champion on climate protection if its actual level of GHG emissions exceeds the one reported to the United Nations Framework Convention on Climate Change (UNFCCC) by 40 per cent due to the massive consumption of goods and services produced outside the EU borders. The recently decided Carbon Border Adjustment Mechanism and Deforestation Regulation will limit the import of certain commodities\(^\text{22}\) when they, respectively, contain excessive amounts of carbon or have led to forest degradation or deforestation. It is critical to ensure effective cooperation with partner countries so that these new EU measures can be assumed by the stakeholders that are in the weakest position in global supply chains, and in particular the smallholders from the Global South. Involving non-EU countries in preliminary discussions leading to a new Green Deal is a \textit{sine qua non} (indispensable) condition.

This paper will be the starting point of a process leading to a definition of what could be the main features of a Global Green Deal. The FTAO is committed to contributing to the definition of the key GGD contents with diverse civil society organizations from both within and outside the EU. The first informal discussions that the FTAO held with its traditional partner organizations have demonstrated the pertinence of the GGD concept. There is a consensus that, to retain its relevance, the next EGD iteration must develop an international dimension based on a fair partnership with citizens and governments of non-European countries. The aim must be to intertwine the

\(^{22}\) \textit{Cement, iron and steel, aluminium, fertilizers, electricity and hydrogen.}
European and global dimensions for the mutual benefits of the international community in its endeavour of realizing the ambition of the Paris Agreement. There is a clear demand for enhancing the EGD’s legitimacy through transforming it into a GGD, one with sustainability at its heart.

The FTAO plans to coordinate the development of a proposal on the Fair Trade movement’s vision of a GGD, including concrete policy recommendations for EU policy makers. The FTAO will participate in any relevant debate on the future of the EGD to tackle more effectively the international dimension of the Green Deal. It will input into the making of the manifestos of the political parties in the European Parliament ahead of the next EU election. It is expected that the EU executive will be challenged and stimulated by this process when reviewing the progress of, and adapting, the EGD in its next development stage, hopefully with the ambition to transform it into a GGD.