



CORPORATE SOCIAL RESPONSIBILITY & FAIR TRADE:
Marooned at the margins or moving towards the mainstream

Overview of Trends & Definitions

Daniele Giovannucci, consultant

European Commission regional workshop

“Sustainable Development and Regional Trade Agreements”

Why fair- ethical trade standards?

- ⇒ Analyzed 28 commodity groups. 10 have potential to gain from CAFTA – all require higher standards & most are lg. scale oriented
- ⇒ If growth is to improve rather than worsen rural poverty then need viable strategies for small producers ... (also work for big business)
- ⇒ National competitiveness (country = brand). CSR in sugar, manufacturing, etc... look at Costa Rica

The Markets for Sustainability

- Fair trade
- Organic
- Eco-friendly
- Multi-stakeholder or sectoral industry standards
 - EUREP, Sustainable Agriculture Initiative, Utz Kapeh, 4 Cs, Ethical Trading Initiative, SA 8000
- Private standards & CSR

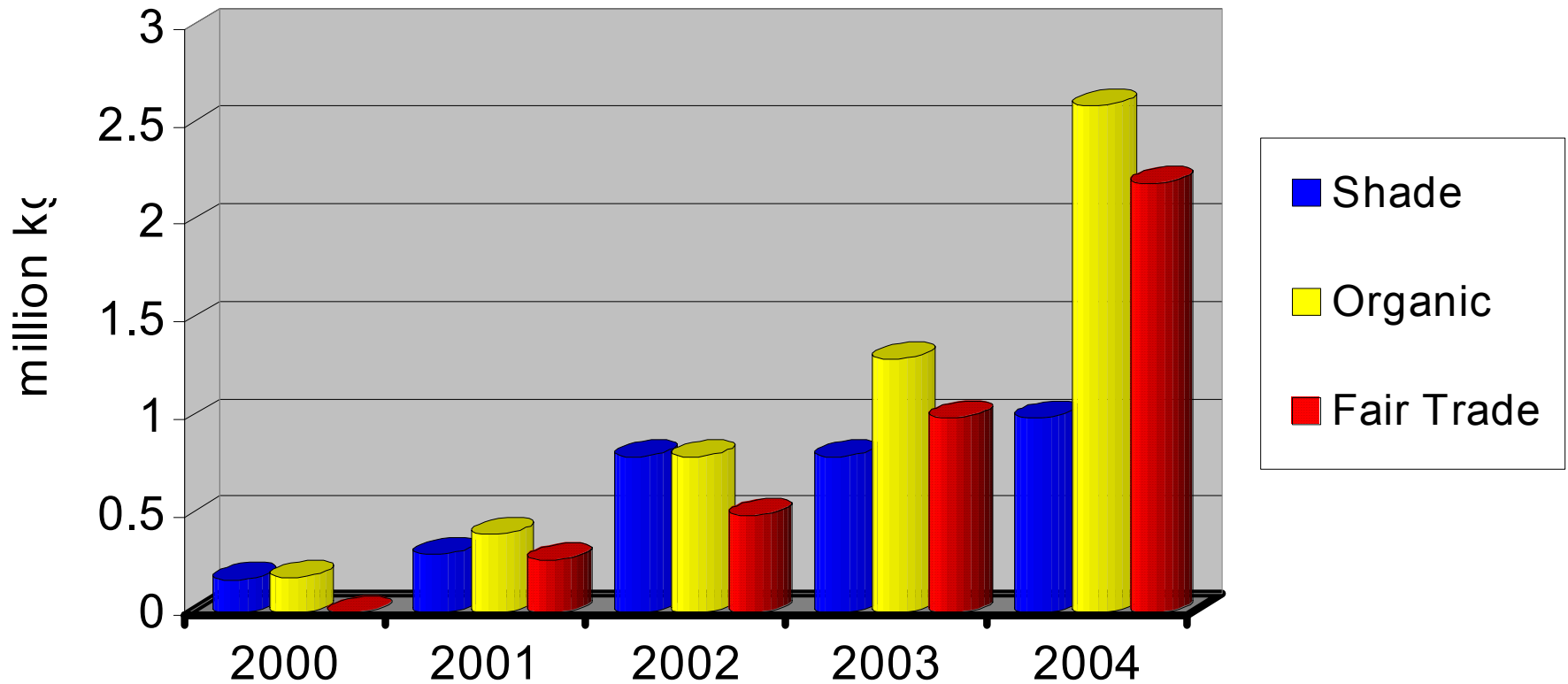
Defining Popular Process Standards

- ⇒ **Fair Trade** - develops direct relationships between a trader and smallholder cooperatives that provides them with an equitable price and relationship (pre-financing, term contracts, etc.)
- ⇒ **Organic** - criteria include soil health practices and absence of synthetic agrochemicals
- ⇒ **Eco-friendly or Shade** - criteria for conserving/creating biodiversity as well as soil and water conservation
- ⇒ **CSR** – *Actions company takes to be better citizen. Range from greening (energy, pollution,...) to better labor relations, to sourcing guidelines & a range of processes in between*

Trend Shifts

- ⇒ Major buyers shift from disinterest in the 80-90s... concern at turn of century... to development now.
- ⇒ From GAP, to Ahold, to Chiquita, to WalMart - sustainability standards are hot for today's mainstream market leaders.

Starbucks & Sustainable Purchasing



Source: *Giovannucci & Starbucks CSR Reports*

Supply - Demand outlook

⇒ Supply growing faster than Demand

...but likely to alter drastically as mass market players enter

Paradigm shift

⇒ Shifting regulatory, business, and consumer environments are inducing fundamental changes in the global trade regime that increase the demand for standards ...

... profound implications & not only for small producers or enterprises

⇒ How do RTAs integrate these changes so as to foster & not hinder? Private; public slow but necessary; institutions; certification; ...

Public Standards: the dark side

- ⇒ As trade protection measures i.e. tariffs & quotas fade, domestic standards are used to block trade. *Technical requirements, testing, certification, and labeling* are important new areas of focus.
- ⇒ Increasing use of technical regulations (nontariff import barriers) as instruments of commercial policy imply extra costs to meet mandatory standards, especially when regulations vary across markets, require duplicative conformity procedures, and are continually revised to exclude imports.

KEY POINTS

- ⇒ Although small: fast growth and considerable impact with important benefits beyond economics
- ⇒ Align with new demands of business
- ⇒ Their market structures are fragile & susceptible to giants especially when there is confusion about initiatives
- ⇒ Left only to markets, “equitable” prices tend not to value the processes

Sustainability Challenges

- Lack of knowledge about what sustainability is and confusion between sustainability initiatives
- Limited markets
- Costs of sustainable practices are still externalized
- Operate as barriers (supply chain standards) - producers lack access & knowledge
- Institutional failure at both public and private levels

For more info....

Daniele Giovannucci

DPG@Consultant.com

or

DGiovannucci@WorldBank.org