

# Ministry of Foreign Affairs and Trade

Deputy Secretary Trade and Economic Group

## Consultation on the Development of the Trade for All Agenda

---

Submission from Fairtrade Australia and New Zealand Ltd

22 August 2018



**FAIRTRADE**  
AUSTRALIA  
NEW ZEALAND

## **Fairtrade Australia New Zealand - Submission to consultation on the development of the Trade for All Agenda for New Zealand**

Fairtrade Australia and New Zealand (Fairtrade ANZ) appreciates the opportunity to provide input to the New Zealand Government's consultation on the development of the Trade for all Agenda

Fairtrade International has been partnering with producers, traders, businesses and consumers since the 1980s and Fairtrade ANZ welcomes the opportunity to share our experience and knowledge with the NZ Government and in particular, our valued partner, the Ministry of Foreign Affairs and Trade (MFAT). We look forward to contributing to and working together to help shape an agenda that will benefit NZ's people and economy, as well as creating inclusive and sustainable development with our trading partners.

### **Introduction to Fairtrade**

Fairtrade is an alternative global trading system which enables sustainable inclusive growth globally, while supporting small business access to markets and democratic community development in under-developed countries. Fairtrade International and its member organisations, including Fairtrade Australia and New Zealand, work to alleviate poverty by making trade fair.

For almost 30 years Fairtrade has connected disadvantaged farmers and workers with consumers, developed markets for Fairtrade certified products, promoted fairer trading conditions, and empowered farmers and workers to combat poverty, strengthen their position and take more control over their lives.

We are working towards a world in which all farmers, workers and producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future. We have identified three goals that are essential to achieving our vision:

1. Make trade fair
2. Empower small producers and workers
3. Foster sustainable livelihoods

Today, Fairtrade works in 130 countries to benefit small-scale farmers and workers by facilitating links to international markets through the development of value supply chains. Fairtrade ANZ works closely with farmers and workers in the Asia-Pacific region to improve their access to markets, address the power imbalance in trade, and reduce poverty in their communities.

Fairtrade is the world's most trusted and recognised ethical trade system<sup>1</sup>, and the only one to achieve scale globally, generating almost \$NZ13.5 billion in retail sales a year<sup>2</sup>. Fairtrade ANZ is responsible for supporting regional growth and alignment in Asia-Pacific; as well as responsibility for all producer organisations in Timor-Leste, Papua New Guinea, and the Pacific Islands, where our work extends throughout the supply chain to create ongoing business partnerships and facilitate producer development and market access through the Asia-Pacific region.

## **Transforming the Structures Underpinning Global Trade**

To carry the Fairtrade Mark, a product's entire supply chain – including the producers, traders and manufacturers – must have met Fairtrade Standards, which are a holistic approach to development covering social, environmental and economic criteria, including labour rights, gender equality, child protection governance and climate change safeguards. The Fairtrade Standards provide minimum benchmarks for certification and incorporate various international labour, human rights and environmental agreements and standards, including International Labour Organization conventions and the UN Global Compact. The standards are designed to address the imbalance of power in trading relationships, the instability of global markets and the injustices of conventional trade.

The applicable sets of Fairtrade Standards are determined by the nature of the business, acknowledging the different types of producer and worker set-ups and the different conditions and challenges that exist for smallholders and hired labour workers. The smallholder standard brings small-scale farmers together in cooperatives with democratic structures. The other standards apply to workers and ensure that their employers pay decent wages; workers have the right to join trade unions; safe working conditions are provided and that all workers are protected against discrimination.

Fairtrade Standards also cover terms of trade, as well as key sustainability issues such as climate change, gender, and democratic governance. Most products have a set Fairtrade Minimum Price, which is defined as the cost of sustainable production and the minimum that must be paid to producers. An additional sum of money, the Fairtrade Premium, is also paid into a communal fund for workers and farmers to use for democratically decided community development priorities that improve their social, economic and environmental conditions. The Minimum Price and Premium create a safety net for producers and allow them to plan for the future. Compliance with the Fairtrade Standards is independently audited by FLOCERT.

Fairtrade Standards exist for food products ranging from tea and coffee to fresh fruits and nuts, but there are also standards for non-food products such as flowers and plants, sports balls, artisanal gold and cotton. There are now thousands of products that carry the Fairtrade Mark. More information about Fairtrade and the Fairtrade Mark can be found on our website at [www.fairtrade.org.nz](http://www.fairtrade.org.nz).

---

<sup>1</sup> GlobeScan, *Shopping Choices can make a Positive Difference to Farmers and Workers in Developing Countries*, <https://globescan.com/high-trust-and-global-recognition-makes-fairtrade-an-enabler-of-ethical-consumer-choice/>, 2011.

<sup>2</sup> Fairtrade International, *Annual Report 2016-2017*, <https://annualreport16-17.fairtrade.net/en/>, 2017 (Exchange rate of €1=\$NZ1.72 via xe.com, August 8, 2018)

## Addressing key principles and questions outlined in the cabinet paper

Fairtrade ANZ commends the NZ Government on its commitment to develop a new 'Trade for All' Agenda. This submission responds to key principles outlined in the cabinet paper, *A New Progressive and Inclusive Trade Agenda*.

### Key principles

- **The creation of a genuine and enduring conversation with the public and key stakeholders around the future direction of New Zealand's trade and inward investment policy.**

New Zealand's trade agenda has broad ramifications, including implications for the nation's people and economy, as well as a direct impact on the way we are perceived and respected by the international community. While NZ is a small country, it is renowned for taking a strong stance on issues that are important to the NZ community, sometimes going against the expectations of larger, more powerful trading partners and allies. Historically, the Treaty of Waitangi (Te Tiriti o Waitangi) stands as a first example of our national determination to attempt to address power imbalances and reject exclusionary negotiations. In the 178 years since, we have recognised the short-comings of the process but it still stands as a clarion call about the importance of opening the discussion table to all. More than that, the principles of the Treaty – partnership, participation and protection – also form strong foundations for a future trade policy, especially in our own region, and align with Fairtrade's own principles. A trade agreement can incorporate those principles not only by including Māori in consultation as Treaty partners, but by ensuring partnerships with our neighbours, rather than relationships built on an imbalance of power; participation of all – especially members of minority or vulnerable communities who are often disenfranchised or excluded from markets; and protection of the people with whom we engage and the environments in which they work.

New Zealanders should feel a sense of pride and ownership in the way the country operates and is represented internationally, and through trade, NZ has an opportunity to continue to stand up for what we believe is right and fair, and to advance a trade agenda that is equitable and sustainable for all partners and stakeholders.

To create a genuine and enduring conversation with the public and key stakeholders around the future direction of New Zealand's trade and inward investment policy, New Zealanders must have the opportunity to regularly have a say in the development and implementation of New Zealand's trade agenda. It is also critical that trade negotiations are transparent and participatory, as a "behind closed doors" negotiation approach undermines public trust and stifles debate. Having a well-informed and engaged NZ society that understands the value of trade for aid engenders awareness and support for needed taxpayer investments. A lack of transparency or inclusion in negotiations has repeatedly led to public misunderstandings and mistrust of global trade through much of the developed world.

New Zealanders need to understand the trade agenda is relevant to them and reflects their values, and Fairtrade ANZ consistently delivers this key message to the public.

- **Fairtrade ANZ proposes that the New Zealand Government establishes public/private sector advisory committees for trade negotiations. The advisory committee will provide negotiators with a sounding board for select issues as a means to garner insight and test public reaction to positions. Such an advisory committee could consist of independent business, academic and NGO representatives.**
- **Enhancing New Zealand’s economic integration with Asia-Pacific region and economic connections to other regions, including through regional and bilateral Free Trade Agreements (FTAs).**

The countries of the Asia-Pacific region are very diverse – culturally, politically, geographically, and economically. According to the UN Food and Agriculture Organization, while Asia as a whole has shown strong growth in recent decades, there are still more than 600 million people living in poverty, lacking food or a decent income, with precious little access to adequate health care or education.<sup>3</sup> Nearly 30 per cent of Fijians and around 40 per cent of the populations of Papua New Guinea and Timor-Leste, for example, subsist below the poverty line.<sup>4</sup>

The poor are especially vulnerable to exploitation in agricultural and labour markets, and modern slavery remains very real problem in Asia-Pacific.<sup>5</sup> Worldwide, about two-thirds of the 1.2 billion people now surviving on or less than US\$1.25 are largely dependent on small-scale agriculture.

Trade is a fundamentally important tool for lifting people and their communities out of poverty while also strengthening diplomatic ties. With a few notable exceptions, regional relationships are being strengthened with the integration of trade. For example, the Pacific Alliance continues to grow while working towards eliminating tariffs by 2020, and there are proposals for an African Continental FTA.

The Asia-Pacific region has enormous potential to increase sustainable economic development and consolidate cross-border relationships through trade, but trade agreements must be fair and inclusive to ensure the benefits of economic growth reach the most vulnerable, not just the few. NZ is well positioned to take a leading role on trade agreement implementation within our own region, while also continuing to build and strengthen relationships with other regions. The recent signing of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is a good example.

---

<sup>3</sup> FAO, *Regional overview of food insecurity Asia and the Pacific*. Towards a food secure Asia and the Pacific (Bangkok: Food & Agriculture Organization of the United Nations, 2015), <http://www.fao.org/3/a-i4624e.pdf>, accessed 8 June, 2018.

<sup>4</sup> Asian Development Bank, *ADB Countries and Regions*, <https://www.adb.org/countries/main>, accessed 8 June, 2018.

<sup>5</sup> Fairtrade ANZ, *Inquiry into establishing a Modern Slavery Act in Australia*, Submission from Fairtrade Australia & New Zealand Ltd (Fairtrade ANZ, April 2017), [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Foreign\\_Affairs\\_Defence\\_and\\_Trade/ModernSlavery](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Foreign_Affairs_Defence_and_Trade/ModernSlavery), accessed 8 June, 2018. (Also available as appendix)

Fairtrade formed the Network of Asia and Pacific Producers (NAPP) in 2005 to give a voice to farmers and workers in the region. It now represents close to 250,000 producers and more than 200 groups of farmers and workers. These groups extend from Iran in the west to Samoa in the east. NAPP's work has three key elements:

- Supporting the empowerment of small-scale farmers and workers within Fairtrade from Asia and the Pacific
  - Facilitating more producers from Asia and the Pacific to join the Fairtrade System and its current range of products and services
  - Ensuring that local conditions and context in Asia and the Pacific are taken into account when Fairtrade Standards are set, without compromising the basic principles of Fairtrade.
- **Fairtrade ANZ appreciates this opportunity for contributing our recommendations and invites the NZ Government to draw on the experience of Fairtrade and work in consultation with our traders, businesses and farmers and workers (who own 50 per cent of the Fairtrade System) to help shape the new NZ trade agenda and ensure it supports and empowers developing nations.**
- **Support for trade policy to contribute to maximising the opportunities and minimising the risks associated with global issues, including:**
    - **Environmental issues, including climate change**

Trade agreements represent a significant opportunity to address a range of environmental and sustainability issues, but achieving ideal outcomes is seldom straightforward. Work undertaken by the Trade Justice Movement in the UK shows that trade agreements do not always influence domestic regulatory regimes; investor protection provisions can be used to deter or undermine stronger environmental and climate change regulations or legislation.

Some deals can prevent a 'local content requirement' and countries can sue others through the World Trade Organisation to challenge their use of subsidies for renewable energy or sustainable procurement.

Despite the challenges, recent FTAs negotiated by the EU include provisions on trade and sustainable development. Their aim is to maximise the leverage of increased trade and investment on issues like decent work, environmental protection, or the fight against climate change in order to achieve effective and sustainable policy change. As shown in the FTA implementation report of 2017<sup>6</sup>, the sustainable development chapters (TSD chapters) of EU FTAs have, in broad terms, worked well.

---

<sup>6</sup> Report from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements COM(2017) 654 final <http://ec.europa.eu/transparency/regdoc/rep/1/2017/EN/COM-2017-654-F1-EN-MAIN-PART-1.PDF>

- **Fairtrade ANZ recommends the NZ Government considers climate change alongside a range of other issues including living incomes and wages in supply chains, land rights, mandatory human rights due diligence, and modern slavery, as well as considering how a new trade agenda and subsequent trade agreements will measurably advance progress on the UN Sustainable Development Goals (SDGs) and targets.**
- **Fairtrade ANZ has undertaken valuable work in these areas and has recently provided comprehensive advice to the Australian Government on tackling modern slavery. Fairtrade ANZ welcomes the opportunity to work with the NZ Government on the development of policy on these issues to support a trade agenda and trade agreements. Please see a copy of two recent submissions *Inquiry into establishing a Modern Slavery Act in Australia*, and *Modern slavery in supply chains reporting requirement*, attached for your information.**

○ **Labour rights**

Labour rights remain one of the core focus areas of Fairtrade. Fairtrade ANZ anticipates that this will be a key consideration of any free and fair trade agenda or agreement. We encourage labour rights provisions to reinforce or implement existing agreements such as the International Labour Organisation Conventions. This is an approach taken by the European Union, which includes basic labour rights provisions in all FTAs. In addition to including these provisions, it is also important for the agreement to specify commitments for further discussion on key issues and to outline an accountability mechanism. For example, the South Korea-EU FTA commits to several institutional mechanisms:

- A committee on trade & sustainable development
- An independent ‘panel of experts’
- Domestic advisory groups (including civil society, businesses and trade unions)
- An annual civil society forum

Whether an agreement includes mechanisms such as those listed above, or provisions for sanctions and/or incentives, there must be adequate resourcing for mechanisms to oversee activities and take appropriate actions, if required.

Fairtrade applauds the position that the NZ Government has already taken to exclude Investor-State Dispute Settlement (ISDS) mechanisms from future NZ deals with Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) countries through signing ‘side letters’ with CPTPP signatories Brunei Darussalam, Malaysia, Peru, Viet Nam and Australia.

- **Fairtrade ANZ recommends that all ISDS and like mechanisms be excluded from any new trade agreements and removed from all/any existing trade agreements where NZ is a party. New Zealand leadership on preventing ISDS will help avoid trade agreements that include provisions that might undermine labour rights,**

**such as investor protection mechanisms that allow businesses to sue governments for policy changes that might impact on their profits.**

- **Gender equity**

The positive benefits of eradicating gender inequality on economic growth have been proven time and time again, yet women still struggle for equal access to markets, land, inputs, equal wages and training.

Women comprise around 43 per cent of the agricultural labour force in developing countries, yet have far less access to land and decision-making power than men. The FAO estimates that closing the political and economic gap between women and men could lift the yield on women-operated farms by 20-30 per cent, and the agricultural production in developing countries by up to four per cent.<sup>7</sup>

Women-led SMEs and women entrepreneurs have a critical role to play in global trade and development. In emerging markets, women-owned SMEs represent 31 to 38 per cent of SMEs in the formal sector, with many more operating informally, yet they still face barriers to building and improving their businesses. Trade initiatives must support women's economic empowerment and address the particular barriers preventing women from engaging in trade.

Trade agreements historically have not been gender-neutral. Where gender inequality exists in any form, trade liberalisation can unintentionally deepen this inequality in many ways. Consideration of gender equity in trade agenda and agreements must go beyond headline provisions and commit to examining the impacts that any agreement will have on women and find ways to actively promote gender equality and women's rights. It is an area in which Fairtrade has significant experience, and we are proud to have incorporated gender equality into our standards as a central principle.

---

<sup>7</sup> FAO, *The State of Food and Agriculture 2010–2011*. Women in agriculture: Closing the gender gap for development (Rome: Food & Agriculture Organization of the United Nations, 2011). <http://www.fao.org/docrep/013/i2050e/i2050e00.htm>, accessed 8 June, 2018.



### **FAIRTRADE'S STANDARDS FOR GENDER EQUALITY**

Fairtrade requires that organisations identify disadvantaged, vulnerable or minority groups to protect their rights and proactively improve their economic and social standing. Put simply, a producer organisation that doesn't support equality cannot be Fairtrade-certified.

Members of Fairtrade producer organisations cannot:

- Discriminate on the basis of gender or marital status;
- Implement discriminatory laws;
- Force prospective workers to take pregnancy tests or sack women who do become pregnant later;
- Tolerate abusive, exploitative, or sexually intimidating behaviour, and;
- Deny women maternity leave or social security benefits if these are rights under local laws or collective bargaining agreements.

Where Fairtrade's impact on economic and political empowerment has been more limited, this is often due to factors beyond the control of the Fairtrade system, such as market prices, national labour standards, and gender norms.

These standards have seen women included in the democratic processes of producer organisations, trained for and appointed to leadership positions, and guaranteed equal prices for their produce. We believe should similar standards be built into a progressive trade agenda for New Zealand, it would result in significant progress towards empowerment for women and girls in the Indo-Pacific region.

Further measures for trade agreements could include:

- 1) Evaluating the impact of a proposed trade practice on human rights and gender equality, not only within a government's national borders but also beyond those borders. This is consistent with the extra-territorial human rights obligations of governments, which UN treaty bodies have urged governments to respect in their international trade policies.
- 2) Distinguishing between the effects of export expansion and import displacement on different sectors, such as agricultural, manufacturing and services, as well as between different employment statuses held by women (waged work, self-employment or unpaid care work).
- 3) Analysing the quality—not just the quantity—of jobs created by trade deals. This might mean, amongst other things, whether such jobs lead to a reduction in occupational segregation between men and women by providing opportunities for women in non-traditional sectors or in more skilled positions.
- 4) Considering the broader implications of trade deals for women as consumers of goods and public services, and the in-country income distribution effects.

- **SME participation in international markets**

Eighty per cent of Fairtrade producers are smallholder farmers – in many cases, micro producers (average plot size of 1.5 hectares). Fairtrade provides a fair, robust pathway to international markets by developing partnerships and working on the ground with farmers and producers in developing countries. The Fairtrade System provides support in a number of ways, including:

- Coordination and management of support for producers through Fairtrade Producer Networks: Africa Fairtrade Network (AFN), the Cooperative of Latin America and the Caribbean (CLAC) and the NAPP. These networks represent Fairtrade certified producer organisations (such as cooperatives of small-scale farmers and workers' committees) in their respective regions.
- Independent third-party certification via FLOCERT, which operates Fairtrade's certification system. It underpins the transparency and accountability that enables micro producers to have access to international high value markets and supply chains. It audits raw materials and products carrying the Fairtrade Mark to ensure compliance with the Fairtrade Standards, and that producers receive the Fairtrade Premium and Fairtrade Minimum Price. FLOCERT audits across entire Fairtrade supply chains from farmers to traders and businesses, with auditors located in the countries and regions where Fairtrade farmers and workers live. Highly qualified, they are familiar with local cultures, languages and legal systems.
- **Fairtrade ANZ welcomes the opportunity to share with the NZ Government our experiences working with farmers and producers across the region. We would also urge support for SMEs to be built into a future trade agenda to ensure market access, growth and profits aren't limited solely to large businesses and corporations.**

- **Inclusive regional economic growth, poverty reduction and sustainable job creation**

In the recent report "In it Together" the OECD notes that inequality in the world is higher than it has been in 30 years, with the wealthiest 10 per cent 10-27 times richer than the poorest 10 per cent. The IMF CEO Christine Lagarde has said that inequality is the greatest threat to economic growth and political stability, and is one of the "scourges of our age".

Nonetheless, the private sector is responsible for around 90 per cent of employment in the developing world – including both formal and informal jobs. It provides critical goods and services and is the source of most tax revenue. It is important that governments driving economic growth ensure the private sector is also able to play its part in poverty reduction and sustainable job creation.

There are signs that consumers are wary of supporting unbridled capitalism, and instead are shifting towards trade built on a more ethical framework or with controls in place to protect vulnerable participants. For example, we have seen significant market demand for ethical products over recent years. Sales of Fairtrade certified products in New Zealand and Australia, worth more than \$333 million in 2017, show significant opportunities for strong long-term growth. In the previous five years sales of Fairtrade products in Australia had increased by 70 per cent. The return on investment (RoI) for Fairtrade's recent five-year Pacific partnership with the New Zealand Ministry of Foreign Affairs was NZ\$37 in direct income to producers for every dollar invested in Fairtrade.<sup>8</sup> Trade can deliver economic growth, poverty reduction and sustainable job creation, but needs to be delivered with a socially and environmentally responsible framework to ensure sustainable, inclusive development. The public and private sectors can be most effective when they work together, and the government has a critical role to play in creating a fair and inclusive environment for investment and business activity.

The Fairtrade experience reveals that:

- Effective poverty reduction requires that trade structures are fair and built on long-term partnerships. All stages of the supply chain must be aligned with Fairtrade objectives to ensure long-term viability and poverty alleviation impact.
  - Economic growth is a necessary, but not sufficient, condition for poverty reduction; but without ensuring inclusive growth and meaningful participation in the market by people living in poverty, it will not offer holistic benefits. Instead, it will potentially continue to only increase the escalating economic inequality.
  - Job creation is one of the main paths out of poverty, and private small to medium sized enterprises (SMEs) are the main source of jobs in almost all developing economies.
  - Before putting trust in market extension and private sector development, an effective rules-based framework (and mechanisms for enforcement such as the Fairtrade Standards and auditing provide) must be in place.
- **Fairtrade ANZ recommends the NZ Government consider how it may:**
- **continue to develop models for working with the private sector, with appropriate supporting rules-based frameworks**
  - **help to create and/or invest in public/private partnerships with trading partners in developing countries**
  - **work with international business-oriented organisations, such as Fairtrade ANZ**

---

<sup>8</sup> Fairtrade ANZ and 2iis Consulting, *Transforming Trade, Transforming Lives. Exploring Fairtrade's Role in the Sustainable Development of the Asia-Pacific to 2030*. A Discussion Paper. (Fairtrade Australia & New Zealand, 2017) Available at: <https://www.2iis.com.au/fairtradeintheasiapacific>

- **learn from initiatives used in NZ to stimulate sustainable jobs growth and reduce poverty that could be adapted for developing countries and vice versa.**
- **More information about the opportunities for harnessing the private sector for growing the economy and jobs and reducing poverty can be found in the attached *Submission to the Foreign Affairs and Aid Subcommittee regarding the Inquiry on the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region.***
- **Fairtrade ANZ encourages the NZ Government to increase development assistance to partner developing countries in the region, especially Pacific Island countries, to build their capacity to participate in international trade.**
- **Preserving rights of government to regulate in the public interest**

Preserving the rights of government to regulate relies on building and maintaining trust between the government, New Zealanders and our trade partners. Governments must be able to demonstrate that imposing regulation leads to better outcomes than not regulating, and it is important to define the manner of regulation. As discussed elsewhere, Fairtrade strongly agrees with the NZ Government's approach affirming the exclusion of ISDS mechanisms so vulnerable people can be protected in spite of corporate profits, and so the implementation of socially and environmentally responsible frameworks into trade agreements can enable sustainable inclusive growth.

Despite the current climate in some parts of the world, Fairtrade does not support tariffs, subsidies or protectionist policies as part of a regulatory regime. Fairtrade supports free trade. Indeed, with the rules-based trading standards publicly available on Fairtrade's websites, we are the most open and sustainable 'free trade' system in the world today. Any enterprise that signs up to the rules-based Fairtrade System and is willing to be held to account for independent audits against the Standards across their entire supply chain – can join today. We are concerned by the widening gap between rich and poor, and disappointed by some of the policies implemented by governments around the world that actively harm some of the world's most vulnerable and powerless people.

NZ is not immune to increasing costs of living and decreasing satisfaction and happiness amongst the community. The development of the Trade for All Agenda provides an opportunity for the NZ Government to demonstrate how trade and enterprise can benefit people as well as the economy, while the rights and opportunities of everyone, particularly minority and marginalised groups, are protected and enhanced.

The Trade for All Agenda and any trade agreements must be clear and transparent in the way benefits, restrictions and regulations are applied, and include methods for measuring and reporting both the positive and negative impacts of them. It is

important that we continually learn from and improve on the experiences of people affected by future trade agreements to ensure they meet their aims and potential.

In a world where the role of government regulation is consistently alleged to be red-tape and anti-business, working with an independent business-oriented and transparent 'for social purpose' organisation such as Fairtrade ANZ can provide substantial credibility, efficiency and build public trust.

The independence and the credibility of the Fairtrade global standards, transparency of trade deals, and the independent auditing and verification of FLOCERT, are the most comprehensive rules-based trade framework across sustainability, inclusive growth and SDG-related metrics, of any current trading system we are aware of today.

There are thousands of embedded business partners working on value chains across the Fairtrade System who are already integrating ethical frameworks into their trade practices even in the absence of government regulation and fair trade agreements. Formalising this approach to trade through NZ's future trade agenda could catalyse significant benefits for people across the region, who are also some of the world's most vulnerable.

- **Fairtrade ANZ encourages NZ to continue to show international leadership in promoting and preserving rights of government to regulate in the public interest.**
- **Fairtrade ANZ welcomes further discussion with the NZ Government about how the Fairtrade's global trade and certification system and standards can help to inform a method for measuring and reporting the impacts of trade agreements for NZ.**

**Themes for engagement – response to additional questions mooted in the cabinet paper:**

- **Making trade policy work better for all New Zealanders: how can a progressive agenda help and what measures are needed to assess how trade policy is working for different groups of New Zealanders?**
- **Fairtrade ANZ recommends the NZ Government commission impact assessments to be carried out at the earliest stage of any new proposed trade deal. These would consider the impacts of trade policy and agreements on both New Zealanders and other countries affected by an agreement. These assessments would take a holistic approach and consider a range of issues including labour, environmental and gender impacts. Therefore, alongside public consultation, there should also be an explicit exploration of potential winners and losers in any trade deal. Particular attention should be paid to countries (i.e. developing countries) whose voice may not be heard and who may not be able to compete with wealthier countries – even in consultations – and whose trade may be displaced.**

- **As discussed above, Fairtrade ANZ welcomes further discussion with the NZ Government about how Fairtrade’s global system and standards could help to inform a method for measuring and reporting the impact of trade agreements.**

**What contribution can trade policy make to progress towards the achievement of the UN Sustainable Development Goals? How should NZ work with developing countries in particular help them meet their SDG objectives through better outcomes for their exporters?**

Trade is recognised now, more than ever before, as playing a central role in achieving the SDGs. Countries and governing bodies around the world are aware of the far-reaching impacts of trade agreements, for good and bad, and it is no longer acceptable to broker deals that leave some stakeholders, or our environment, worse off.

One of the most critical questions to ask in relation to achieving the SDGs is whether a trade policy or investment will reduce the underlying causes of poverty in the long term. Unless we transform the foundations of systems that create trade injustice and inequity we will face the same unsustainable poverty issues in 2050.

This is the fundamental power of Fairtrade, with its proven ability to transform trade through measurable, rules based, auditable and publicly transparent trading structures. Today it is the only scalable Fair trading system in the world – designed to achieve inclusive growth and end poverty forever.

The aspirations of the SDGs and commitment of 193 nations to achieving them is a dramatic shift in global awareness and aligns with the work Fairtrade has been doing for 30 years. The challenges are undeniable, but so is the growth potential of the region and the growing awareness and demand for Fairtrade practices and products. Fairtrade is working hard to explore how it can best support sustainable economic development in the region and how the organisation can accelerate its contribution as a transformational agent.

In 2017, Fairtrade ANZ produced a discussion paper, *Transforming Trade, Transforming Lives*, on the opportunities of Fairtrade to drive progress in sustainable development (and in relation to specific SDGs) in the Asia-Pacific region<sup>9</sup>. While this paper did not set out to provide all the answers, it explored a number ways in which Fairtrade could drive transformational change in the region by 2030. The paper recognises that transformational change will only be possible by taking a region-wide approach to partnerships and by building strong partnerships with organisations such as the MFAT, DFAT, and the UN; and through strengthening the capacity of NZ’s Council for International Development (CID).

The paper recognises that all 17 of the SDGs are relevant to Fairtrade’s mission and to ensuring that no one in the region is left behind. However, to focus on the strengths of the Fairtrade structures and the areas in which it can have the most impact, Fairtrade has identified five SDGs on which it will focus most heavily:

---

<sup>9</sup> Ibid.

## **SDG 1: End poverty in all its forms everywhere for all people**

### **Poverty in the Asia-Pacific**

As of 2015, more than 1 in 8 people in the Asia-Pacific were estimated to be living in extreme poverty. This is more than half of the world's poor living right here in our region.<sup>10</sup>

However, much of the global progress in poverty reduction has also been driven by shifts in the Asia-Pacific. In 1990, for example, over 70 per cent of people in extreme poverty were living in the region compared with 53 per cent in 2012. This means that of the 1.2 billion who lifted themselves out of extreme poverty globally, 1.1 billion were from the Asia-Pacific Region.<sup>11</sup> Despite the clear progress, there are still more than 600 million people still living in extreme poverty here. Inclusive trade and meeting the SDGs clearly needs to be a priority as we continue to overcome poverty in the region.

## **SDG 2: End hunger, achieve food security & improved nutrition and promote sustainable agriculture**

### **Hunger in the Asia-Pacific**

Of the estimated 795 million undernourished people globally, 490 million (62 per cent) are currently living in the Asia-Pacific region.<sup>12</sup>

While overall improvements have been made, there are large variances across countries and subregions. The proportion of the population who are undernourished in South and South-West Asia, for example, decreased from 22.9 per cent to 14.9 per cent between 1992 and 2016, but due to large population increases the raw number of people affected by hunger remained static at nearly 300 million.<sup>13</sup>

## **SDG 5: Achieve gender equality and empower all women and girls**

### **Gender inequality in the Asia-Pacific**

Gender gaps in economic participation in the region have barely changed in the last 20 years and are as high as 50 per cent in South-Asia (one of the highest rates in the world) and 23 per cent in South-East Asia and the Pacific. The gender wage gap is 20 per cent at the regional level.<sup>14</sup>

Achieving gender equality in the region matters for more than moral and social reasons, it also has the potential to drive significant economic outcomes:

---

<sup>10</sup> UNESCAP, *Statistical Yearbook for Asia and the Pacific, 2015, 2016*; SDG 1 Chapter (Poverty)

<sup>11</sup> Ibid

<sup>12</sup> UNESCAP, Op. Cit., SDG 2 Chapter (Hunger)

<sup>13</sup> Ibid

<sup>14</sup> UNESCAP, *Equality & Women's Empowerment: Asia-Pacific Progress and Challenges*, <http://www.unescap.org/speeches/gender-equality-womens-empowerment-asia-pacific-progress-and-challenges>.

1. The World Bank estimates that output per worker could be 7-18 per cent higher in the Asia-Pacific region if female entrepreneurs and workers were in the same sectors, types of jobs and activities as men, and had the same access to productive resources.<sup>15</sup>
2. The FAO has stated that agricultural output on female-headed farms would increase by 20-30 per cent if women had access to the same productive resources as men. Such a change would raise the total agricultural output in developing countries would increase by up to four per cent.<sup>16</sup>

## **SDG 8: Promote sustained, inclusive and sustainable economic growth, full & productive employment and decent work for all**

### **Modern slavery and child labour in Asia-Pacific**

In 2012, the ILO estimated that around 21 million people were in forced labour, generating a profit of around US\$150 billion, with dividends to every region of the world.<sup>17</sup> More than half of those in forced labour are women and around a quarter are children.

Most instances of modern slavery occur in Asia-Pacific (estimated at 30.4 million people or 66 per cent of all people in slavery in 2016), particularly in India, China, Pakistan, Bangladesh and Central Asia.<sup>18</sup> These parts of the world supply a great many food products, textiles, and technology items using relatively inexpensive, low-skilled labour. Asia is also where forced labour is thought to yield its highest profits: nearly US\$52 million per year.<sup>19</sup>

There are 151 million children engaged in child labour around the world, and 71 per cent of them work in agriculture. Almost half of all child labourers are under 11 years old.<sup>20</sup> Given the prevalence of farming and agriculture in the region, including fishing and aquaculture as well as subsistence farming, progressive trade agreements that work to eradicate child labour will help us move closer to a world free of child exploitation. Protecting children as young as five from hazardous work and ensuring access to education must be a moral imperative, as must the eradication of modern slavery and indentured labour. New Zealand and its people will not benefit by trading our economic growth for human suffering.

## **SDG 13: Take urgent action to combat climate change and its impacts**

### **Climate change in the Asia-Pacific**

---

<sup>15</sup> World Bank, *Toward Gender Equality in East Asia and the Pacific: A Companion to the World Development Report*, 2012

<sup>16</sup> FAO, *Gender Equality and Food Security, Women's empowerment as a tool against hunger*, Asian Development Bank, 2013

<sup>17</sup> International Labour Organisation (ILO), *Forced Labour Statistics*, <http://www.ilo.org/global/topics/forcedlabour/statistics/lang--en/index.htm>. 2017

<sup>18</sup> K. Bales et al, *Global Findings, The Global Slavery Index*, <http://www.globalslaveryindex.org/findings/>. 2016

<sup>19</sup> E. Wright, *How poverty contributes to labour trafficking*, <https://borgenproject.org/category/forced-labor/>. 2015

<sup>20</sup> ILO, *Global Estimates of Child Labour: Results and trends, 2012-2016*, [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_575499.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_575499.pdf)



Asia and the Pacific are particularly at risk from the effects of climate change, as it combines high populations with significant populations in low-lying coastal areas or fragile agricultural regions. In 2013, six of the 10 countries most vulnerable to climate change were identified as being in the Asia-Pacific region, including Philippines, Cambodia, India, Pakistan, Lao PDR and Viet Nam.<sup>21</sup>

A recent study by The Climate Institute commissioned by Fairtrade explored the likely impact of climate change on one of the commodities most likely to be significantly affected – coffee. A *Brewing Storm: The climate change risks to coffee* concluded that increasing temperatures and extreme weather events could cut the area suitable for production by up to 50 per cent, erode coffee quality, and increase coffee prices for consumers dramatically.<sup>22</sup>

World coffee production has tripled since the 1960s, and consumption continues to grow at 5 per cent annually, putting significant pressure on the world's 25 million coffee farmers. It's a tough ask considering 80–90 per cent of those farmers are smallholders and among those most exposed to climate change.<sup>23</sup>

- **Fairtrade ANZ encourages the NZ Government to work with us to combat the challenges faced by the Asia-Pacific region and advance progress towards the SDGs. Fairtrade ANZ invites the NZ Government to view the attached discussion paper *Transforming Trade, Transforming Lives* for insights into the data collected and opportunities identified to date to bridge the gap.**

Fairtrade ANZ invites further discussion with MFAT on any of the points outlined above, or related to an inclusive trade agreement.

Please do not hesitate to contact Molly Harriss Olson [molly@fairtrade.com.au] if there is any further information that we can provide, or to arrange a meeting. We note that the cabinet paper proposed the establishment of advisory groups/committees and Fairtrade ANZ would welcome the opportunity to contribute and support New Zealand Government's important work developing a progressive and inclusive trade agenda.

---

<sup>21</sup> Asian Development Bank, *Climate Change in the Asia-Pacific*, 2015

<sup>22</sup> The Climate Institute, *A Brewing Storm. The Climate Change Risks to Coffee*, 2017.  
[https://www.fairtrade.net/fileadmin/user\\_upload/content/2009/news/1608-TCI\\_A\\_Brewing\\_Storm\\_FINAL\\_24082016\\_web.pdf](https://www.fairtrade.net/fileadmin/user_upload/content/2009/news/1608-TCI_A_Brewing_Storm_FINAL_24082016_web.pdf)

<sup>23</sup> Ibid

## **APPENDIX**

[Inquiry into the Strategic Effectiveness and Outcomes of Australia's Aid Program in the Indo-Pacific and its Role in Supporting our Regional Interests \(Fairtrade ANZ Submission\)](#)

[Inquiry into Establishing a Modern Slavery Act in Australia \(Fairtrade ANZ submission\)](#)

[Modern Slavery in Supply Chains Reporting Requirement \(Fairtrade ANZ Submission\)](#)

[Inquiry into the Role of the Private Sector in Promoting Economic Growth and Reducing Poverty in the Indo-Pacific Region \(Fairtrade ANZ Submission\)](#)

[Transforming Trade, Transforming Lives – Fairtrade ANZ Discussion Paper](#)

All documents available at [www.fairtrade.org.nz](http://www.fairtrade.org.nz)