

IND0034 Fairtrade Foundation

1. Introduction

- 1.1. The Fairtrade Foundation welcomes the opportunity to respond to the House of Lords International Agreements Committee's inquiry on the UK's trade agreement with India.
- 1.2. Fairtrade in the UK is part of a global Fairtrade system which supports 1.71 million Fairtrade workers in 73 countries around the world. Our vision is to make trade fair and secure a better deal for farmers and workers, contributing to the UK's wider international development efforts and achievement of the Sustainable Development Goals (SDGs).
- 1.3. The Fairtrade Foundation welcomed the announcement of UK-India Trade Negotiations on 13th January 2022, along with the publication of the public bundle. However, the Foundation remains concerned over several aspects of the deal, including the impact of the deal on carbon emissions, human rights and trade for development outcomes.

2. Impact of the deal on Human Rights

- 3.1 The human rights concerns and low wages prevalent among many sectors in India, and particularly tea and cotton, are well documented¹, including by a number of Human Rights organisations².
- 3.2 The Government ought to consider what impact the deal will have on human rights and wages, for example whether it will enforce poor practice or encourage the improvement of human rights and wages in exchange for improved market access. We would urge the Government to consider whether it could use the negotiations to encourage market access for Indian goods produced under sustainable and ethical terms.
- 3.3 Consumers overwhelmingly want to know that the products they buy meet high standards on human rights and the environment. So, strengthening trade with India in products meeting a high ethical bar would be welcomed by brands and retailers working with Fairtrade. A shared focus on sustainable and ethical trade would therefore be in the commercial interests of both the UK and India.
- 3.4 Such moves would improve resilience in UK supply chains. During the onset of the pandemic, Fairtrade saw that many Fairtrade farmers weathered the initial crisis better than most. Having benefitted from increased investment through the Minimum Price and Premium, farms were able to furlough workers on full or half pay and were able to provide PPE for workers to continue production throughout the pandemic. This kept supermarket shelves in the UK stocked up, benefitting UK businesses and the UK consumer.

- 3.5 At the time of writing there are 109 Fairtrade certified farms across India³, across commodities such as cotton, tea and spices. Across the Asia and Pacific Region, including India, Fairtrade sales generated 16. Million Euros in Premium in 2020, which farmers were able to invest as they saw fit.
- 3.6 The UK market for Indian tea exports is significant. Between April to November 2020 the price of Indian tea exports to the UK was \$33.47 million⁴.
- 3.7 Currently, Fairtrade certified organisations (globally) sell only around 7% of their tea on Fairtrade terms. A trade deal with India could therefore benefit farmers and workers by increasing sales and thus the income generated for farmers and workers to invest in their communities and in decent wages.
- 3.8 Trust in the Fairtrade mark by consumers remained high at 80% in 2020, with 29% of consumers saying they would actively choose to buy Fairtrade. Such figures show the appetite among the British consumer for ethical products, and businesses would support measures to increase the trade in sought after products.
- 3.9 The Government could consider an agreement which co-sponsors such high ethics trade, for example an agreement to reduce tariffs for sustainable products in exchange for greater investment in human rights and environmental commitments, including living wages/incomes, at the farm level by the Indian Government.

3. Impact of the deal on development

- 4.1 The Fairtrade Foundation is aware of potential trade diversion away from East African flower farmers, should the deal significantly liberalise the Indian flower market⁵. Fairtrade understands that the Indian flower sector has received significant investment in recent years, alongside developments in cold storage to encourage flower exports.
- 4.2 The impact of the pandemic on EAC flowers was rapid and deep, with large scale job losses and farm closure. While many flower farms have been able to somewhat recover since the initial shock in March 2020, the cost of air freight, by which flowers from the EAC are traditionally transported, has increased drastically. EAC suppliers are also facing increasing costs associated with triangular supply chains operating between the EU and UK.
- 4.3 There is concern that if a UK-India FTA is agreed that grants increased market access to Indian cut flower exporters, this could lead to preference erosion for EAC cut flowers, which employs hundreds of thousands of people in low-income countries who rely on UK market access to earn a living.
- 4.4 We would moreover encourage the Government to consider how a trade deal with India will support the Sustainable Development Goals (SDG's) and in particular lead to greater value being captured by farmers and workers in India. The Fairtrade Foundation has spoken at

length about the 'gold standard'⁶ for UK Trade and Development policy, and we would encourage the Government to use the UK-India FTA as an example of how trade can work for people and planet.

4. Impact of the deal on the Environment

2.1 The Fairtrade Foundation is deeply concerned that according to the Government's own impact assessments⁷, carbon emissions are predicted to increase as a result of a UK-India FTA:

2.1.1 Overall greenhouse gas emissions associated with UK-based production are estimated to increase by around 0.08% to around 0.14% depending on the depth of a UK-India FTA. This is equivalent to an increase of around 0.4 MtCO₂ e to around 0.7 MtCO₂ e.

2.1.2 An FTA could increase transport-related emissions associated with increased trade flows. Transport-related emissions associated with increased trade flows are estimated to increase by up to 21% or 36% depending on the depth of a UK-India FTA. This is equivalent to an increase of up to 0.8 MtCO₂ e or 1.4 MtCO₂ e each year.

2.2 The Government announced last year that it would include shipping and aviation emissions as part of its Nationally Determined Contributions (NDC) under the Paris Agreement. It is not clear how the Government intends to measure and implement this, particularly in light of the predicted increased emissions coming from an India FTA. The Fairtrade Foundation would welcome further evidence from the Government on how it intends to align its trade policy with its NDC commitments.

2.3 On carbon leakage, estimates suggest that some risks exist in textiles and apparel. Increased market access could facilitate higher levels of trade in sectors where climate mitigation policies differ between the UK and India. These effects will depend heavily upon how the UK and India's environmental policies develop over the coming decades, as well as external factors such as technological change.

2.4 A UK-India FTA could increase water stress, water pollution and biodiversity loss as a result of economic changes within the UK and India economies and shifts in global trade patterns. The risk of these impacts is usually higher in developing countries given wider impacts are not always priced in and accounted for by institutions in the developing phase.

2.5 The potential for the inclusion of an Investor-State Dispute Settlement (ISDS) mechanism may also run the risk of restricting national policy space on climate protection, a situation in which countries are wary of introducing certain climate related measures for fear of being sued by large investors through the mechanism. There is a growing trend in ISDS cases against such environmental measures⁸.

5. Parliamentary scrutiny of the deal

5.1. The Fairtrade Foundations would like to take this opportunity to reiterate its concerns regarding the parliamentary scrutiny and transparency of trade deals and trade negotiations.

5.2. The Fairtrade Foundation continues to support calls by the Trade Justice Movement⁹ for a strengthened trade deal scrutiny framework which establish a revised process for the scrutiny and approval of trade deals, with particular attention paid to the role of parliament.

6. Conclusion

6.1 The Fairtrade Foundation is keen to see the Government take an approach to negotiations which maximizes trade in sustainable products produced in line with human rights and environmental commitments, required by the UK consumer and supported by business. Long standing concerns in the tea and cotton sector for example, including low wages and human rights abuses, could be successfully addressed in the negotiations.

6.2 Such promotion of high ethics sustainable trade would work in the UK interests – greater investment at farm level through higher wages and improved human and environmental impacts will improve supply chain resilience in the face of global shocks, including the threat of the changing climate.

6.3 Efforts to increase the living wages/income of farmers is also in the UK interest. Investment at farm level means that farmers and workers have greater ability to invest in adaptation and mitigation techniques against some of the worst impacts of the climate crisis, and thus continued production for the UK market.

6.4 Improved livelihoods may also enable farmers and workers to invest in more sustainable production methods including lower carbon emissions. Such efforts would support both UK and Indian commitments to reducing carbon emissions in the two countries – at the COP26 summit in 2020, India announced its own Net Zero target.

6.5 Low wages and poverty are also linked to human rights abuses, and action to improve livelihoods will likely have direct impact on challenging some of the most serious human rights violations.

6.6 The UK Government ought to take the opportunity afforded by the beginning of negotiations with India to pursue a progressive trade policy that works in support of environmental commitments and human rights. Such moves would signal strong leadership from the UK Government in tackling issues of international concern.