

FAIRTRADE “CRUSADERS” DO MORE HARM THAN GOOD SAYS SIR TEDDY
November 7 2008
FREE TRADE VERSUS FAIR TRADE.

Extracts from remarks made by Sir Teddy Taylor speaking at a debate on Fair Trade versus Free Trade in Norwich to the University of East Anglia Conservative Association on Friday, 7th November at 7p.m. (Sir Teddy is chairman of the Free Trade League. Further details may be obtained from its honorary secretary John Heffernan. telephone 020 8997 6868)

“One of the reasons I resigned from Ted Heath’s Government over the decision to join the European Union was because of my concern that the protectionist and costly agricultural policy known as the Common Agricultural Policy would force up food prices in Britain and would inflict horrific injuries on the economies of the Third World.

I think that most people are now aware of the damage we are doing to the poorest countries in the world through the EU trade policy. But both the Government and the Opposition rarely seem keen to talk about the subject.

As an example take sugar production. In the EU imported white sugar carries a levy of 41.9 euros per 100 kilograms. This equates to about 14p per pound. On the other hand producers of sugar in Europe get an export refund of 32.9 euros per 100 kg, which is about 12p per pound. . The result is that the taxpayers in Europe pay farmers above world prices to produce and then pay them again a lot more for exporting sugar, some of which ends up in developing countries. Meanwhile the UK public is paying more than it should or would if there were not such massive protection. This is only one example of a cruel and evil protectionist policy.

As the decisions on import tariffs and export subsidies are made in Brussels there is nothing that our Parliament, which represents just one of 27 member countries, can do about it. Against this background it is understandable that thinking people should feel they must support any campaign that appears to have the interests of the poorer developing nations at heart.

An example of this consumer activism was seen in the early 1990s when, at great expense and with great efforts, an international coffee agreement was established with the aim of subsidising new plantations to grow coffee. Many well known charities were involved in what they believed was a plan to help the Third World. . But the project came to grief because, as it developed, there was a slump in the world price of coffee. You may ask whether this was cause and effect.

We then had the formation of the Fairtrade organisation. This undoubtedly has master-minded one of the most effective propaganda exercises I have ever seen. Wales has now been identified as a Fairtrade nation and there is a proposal that the town where I live, Southend on Sea, will also become a Fairtrade borough and thereby show concern for the Third World..

As an example of the scale of the propaganda exercise I was surprised to find at my local church three weeks ago that the congregation was given a hymn sheet which we sang with four verses, the first being:-

IF YOU WANT TO HELP THE POOR, SHOUT FAIRTRADE
IF YOU THINK THEY NEED SOME MORE, SHOUT FAIRTRADE

IF YOU WANT A WORLD THAT'S FAIR
WITH LOTS OF THINGS TO SHARE
AND GOOD DEALS EVERYWHERE, SHOUT FAIRTRADE..

I'd obviously have felt more comfortable in church if we had been talking about the damage we were doing to our own citizens and to the third world by import duties and export subsidies.

But why should we be concerned about Fairtrade. Might it not just offset some of the damage being done by protectionism?

The first objection I have is that Fairtrade causes damage to the poorest food producers in the world. By offering a small number of farmers a higher fixed price for their goods it undermines the trading return of those who are unable to qualify. It is very misleading to claim that the Third World farmers benefit from the Fairtrade arrangements because only a limited number of such farmers can afford to apply for and purchase the licences.

A more specific objection is that while Fairtrade seeks to give the impression that those involved are helping the poorest nations in the world, the published figures show that it is the wealthy ones which benefit most. Take, for example, the case of Mexico, where 18 per cent of the population is employed in agriculture and the average salary is 9000 US dollars per year. We find to our surprise that this relatively wealthy nation produces 25 per cent of the Fairtrade coffee and has the largest number of certified producer organisations in the world. If we compare this with Ethiopia, a huge country with 80 per cent of its population employed in agriculture and an average income of only 700 US dollars a year which is less than 10 per cent of the Mexican average, we see that there are only four Fairtrade organisations while in Burundi there are no Fairtrade producers at all. Rwanda has only ten Fairtrade producers.

So in a nutshell, by buying Fairtrade coffee we are boosting the economy of Mexico but sadly causing even more damage to the poorest nations in the world. The Mexican farmers are clearly benefitting from the Fairtrade arrangements but many countries gain nothing but suffer through this well-meant intervention in the market.

But does the Fairtrade put extra money go into the hands of the Mexican farmers? . Sadly it's not quite a simple as this. The studies initiated by the Free Trade League show that only 10 per cent of the price premium goes to the producer with the retailers and others in the distribution chain gaining 90 per cent. So do bear this in mind when you see shops urging you to help the Third World by buying Fairtrade produce.

Fairtrade, like all non-business operations, is subject to abuses. There have been a number of publications showing that coffee beans grown in non-Fairtrade conditions can be passed off as Fairtrade. The Financial Times has published a report by Hal Weitzman showing that labourers in Fairtrade farms in Peru and elsewhere were paid less than the minimum wage. And a Canadian expert found that one fifth of the coffee in one Fairtrade group was planted in protected virgin rainforest.

It might be argued that these abuses are small matters but there is another matter that touches the taxpayer's pocket. Fairtrade, like so many NGOs these days, secures much of its income in state funded grants. In 2006 new grants were accepted from the European commission and the Department for International Development. Between 1999 and 2007 the Fairtrade organisation received £1.8 million in UK grants. . The current level of grants is £250,000 per year. Last year the group announced that they were seeking a strategic investment of £50 millions over five years. It was hoped that government would finance much of it. I'm not sure what the result has

been. But I am happy to say that their spokesperson has said that they didn't receive quite as much as they had hoped for from the government.

What concerns me most of all about all this is that the people are being misled. As a result instead of the electorate supporting the Third World because it understands the damage being done to their trade by protectionist EU policies its vision is obscured by it being urged to make sentimental gestures when out shopping – or when drinking tea or coffee in the town hall. What is depressing is that few eyebrows are raised at the astounding triviality of this Fairtrade approach at the same time as millions are raised in tax revenue, and even larger sums creamed off in extra profit by protected producers, without anyone batting an eyelid.

If the EU were to adopt Free Trade policies instead of the placebo pill of Fairtrade it would be able to improve the living standards of the poorest nations at no cost to EU taxpayers (unlike Aid) strengthen their economies. Reduce our own costs and in the longer term, by removing distortions which divert trade from the most sensible and economic route, benefit the environment.

This is precisely the function that Britain filled in the 19th century when it became the modern world's first Free Trade Nation – rejecting the then prevailing cult of mercantilism. Britain flourished so successfully partly as a result of this new policy that many countries in Europe for a time moved towards adopting a similar approach. Unhappily the strength of their vested interests benefiting from tariff protection was too strong and they lapsed back into protectionist attitudes, including the belief that colonies were there to be exploited and not to be allowed to trade freely with others.

When Britain moved towards adopting the Free Trade approach in the 1840s it did our industries a power of good. Even the farmers were surprised how they prospered. . Change and progress speeded up and living standards improved greatly.

Today we do ourselves and the Third World no good at all by promote state financed exercises that ignore the heart of our real problems. I hope that if I will achieve nothing else tonight I might just persuade you all to look with care and seriousness at the Fairtrade organisation and ask yourself if it might not just be misleading you in arguing that they are helping the poorest nations in the world.

Although I do not doubt in any way the sincerity of those involved in promoting Fairtrade, just as I don't doubt the sincerity of those who fought for the disastrous international coffee agreement in the 1990s, I hope that these crusaders will also ask themselves what they are really achieving.

Having mentioned the word crusade, could I tell the students about my happy days at university when I studied the Crusades in Palestine. At that time there were millions in the Western world who thought that the Crusades were working for religious freedom and were a worthy cause. Vast sums of money and many lives were sacrificed willingly.

But all that was achieved was the creation and extension of hatred and destruction. If I had come here nine centuries ago to argue that the Crusades were unnecessary and the outcome would be a nightmare for all concerned I would no doubt have been stoned or perhaps burned alive for my evil arguments.

There may be some who feel about me in a similar way because of my attack on the Fairtrade crusade. But I hope that most of you will look at the issue carefully and ask if with the best of intentions we might be making a similar horrendous mistake.