

**Intervention of M. E. Barattini - European Commission
at the III World Coffee Conference
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***The importance of Sustainability in development, with particular
regard to Coffee***

Excellencies, Ladies and Gentlemen,

1. Introduction

I am honoured to take the floor today on the occasion of this so high level Assembly and speak from this tribune about one of the most important commitments of the EU, not only for its own policy, but also governing its strategy towards developing countries.

I quote:

"The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment."

In these few words of the third paragraph of Article 3 of the Treaty of the European Union, it is concentrated the entire philosophy of the European Union towards sustainability, but since 1957 with the Treaty of Rome, the EU founding fathers wanted to assure " *a harmonious development of economic activities, a continuous and balanced expansion...an accelerated raising of the standards of living*". This was the real first attempt to safeguard the Europe's capacity to support life in all its diversity for the survival and the well being of the future generations. It still remains today an overarching objective of the EU, governing all the Union's policies and activities.

Excellencies, Ladies and Gentlemen,

Development policy is a key part of the "Europe 2020" vision presented by EU Commission's President Barroso. In particular, as we look ahead to a global Europe, it is in times of development challenges that the EU can become a champion of global governance, challenges which include world economic recovery, climate change, migration, food security and making progress towards the Millennium Development Goals.

Coffee, we know, is the second most important product after oil in terms of trade. It is estimated that more than 25 million families are dependent on the coffee

economy for their living, but only very poor tangible results will be achieved without a sustainable oriented policy behind. Three quarters of the world's poor people live in rural areas, agriculture represents two thirds of employment and more than half of exports and more than one third of their GNP. More than 50 countries are still dependent on commodities for almost 20 % of their revenues. The material well-being of poor people and households is then dependent upon the productivity of their cropping and livestock husbandry activities. Although in the longer term a broad transformation and diversification of rural economies away from a strong dependence on agriculture is desirable, more immediate benefits in the welfare of poor households are most likely to come through an appropriate reply to some of the critical constraints they are facing in meeting their basic needs through agriculture.

II. EU policy on sustainability and development.

How can we help to formulate this reply? The basic principles aiming at achieving development based on a balanced economic growth leads us to look on the ways how sustainability can positively influence all the process. Looking to the problem from an EU perspective, we note that in the past fifteen years, the EU adopted an important number of programmes and outlined important strategies stating clearly that the EU policies, internal and external, "*must actively support efforts by other countries, particularly those in the developing world, to achieve development that is more sustainable*". In the very recent past, what previously it was defined as simple commitment has become today a key objective. Environmental protection, social equity and cohesion, economic prosperity, promotion and protection of fundamental rights, involvement of business and social partners are today all policy guiding principles that the EU henceforth follows, not only for its internal prosperity, but also in its development policy. Eradicating poverty and achieving sustainable development are global challenges that the EU addresses through a number of policies intended to be consistent among them and of course with international commitments. Our strategies and actions cover a large number of initiatives including the development of a common EU programming framework, increasing the coherence between development and other policies, increasing the effectiveness and efficiency of our external action and improving the coordination, coherence and complementarity of the actions carried out by the EU and by the EU Member States.

A better market access should lead to increased incomes, thus enhancing political stability. In the past years, in order to encourage developing countries to better achieve their development objectives, the European Union has launched a new initiative, addressed in particular to ACP countries, aiming at promoting a better regional integration, through the so called EPAs (Economic Partnership Agreements). The EPAs process has not been fully implemented and some interim regional EPAs have been put in place in order to avoid losing the preferential trade regimes applicable to the beneficiary countries, following to

WTO dispute settlements. EPAs aim at supporting regional integration through a better market cooperation at regional level, the achievement of a sustainable development through complementary activities and shared services, favouring the smooth and gradual integration into the global economy and in end, contributing to the eradication of poverty. The correlation between EPAs and development by seeking to enlarge the beneficiaries' markets and improving predictability and transparency is clear. In taking into account the specific economic, social, environmental and structural constraints of the countries and regions concerned, EPAs are indeed economically, environmentally and socially sustainable instruments. We hope that in the near future the EPAs process will be completed, with a view to reach the above objectives not only for ACP, but also for Latin America and Asia countries, whom similar instruments are discussed.

III. EU policy towards sustainability in the Coffee sector

While EU with its 27 Member States are important Coffee consumers (67,2 million bags in 2008 which represents 66 % of the total imports¹), similarly to other important consuming countries there is not a specific policy addressing the sector, but only general rules aiming at achieving better and fair incomes for producers, accompanied by viable conditions of life. Consequently, the general principles governing the EU policy towards development are equally applicable to coffee. Sustainability, being a dynamic continuous process, it can be then perceived as an essential component governing Coffee at the same level as other commodities.

The EU believes that consumers can support sustainable development objectives by their direct intervention. The final consumer can support additional costs for ensuring an adequate degree of sustainability. In June 2006, for example, the European Council adopted its renewed sustainable development strategy, encouraging Member States to promote sustainable products responding to the basic principles of fair trade and environment. This approach was also encouraged by the fact that European consumers each year purchase Fair Trade certified products for approximately 1,5 billion €, a figure in continuous expansion. This trend underlines the real impact of Fair Trade, indicating that Europe is a kind of Fair Trade's home, as between 60 and 70 % of global sales take place in the EU market.

For coffee in particular, there are a number of new initiatives. Many of these can be characterised as "social, corporate responsibility". Today, for example, an ethical trading practice through supply chains that promote and protect labour and environmental standards is increasing. Cooperation with institutions and companies (national or multilateral), NGOs and research institutions is favoured, and private or public partnerships are considered an efficient tool for a constructive cooperation. The EU general objective in this area, which is in line

¹ ICO Coffee statistics N° 53

with our general development policy objectives is that farmers should optimise their systems to make production and processing more sustainable efficient and productive. In this framework, codes of conduct, agreed standards and other corporate practices are important tools that the Commission strongly recommends. Regarding more closely the coffee market, in 2001 the share of sustainable coffees in each of the 11 most important European Coffee markets ranged between 0,3 and 3,4% ² . For recent years, data available for 2008 show a global green coffee purchase under various sustainability systems (4C, FLO³, UTZ, Rainforest Alliance, Company specific schemes) totalling about 400.000 mt.⁴. These parameters point out that internalising the social and environmental costs of sustainable production is a key challenge, possible but not easy to reach. A recent analysis of the sustainable coffee market indicates that although the share of sustainable coffee is growing, the drivers are not always the main roasters, but their large clients who seek to distinguish their offer and improve their image as socially responsible corporations. To contribute to the continuing improvement of social, environmental and economic conditions of coffee producers worldwide, it is then necessary to further develop a more open conscience towards certified coffees. To this end, certified products targeting consumer's awareness of sustainability issues assume particular value, and some of the EU initiatives are targeted to this. Key factors for expanding sustainable coffee business could be: best quality, consistent and reliable supply, fair prices, clarity between the different schemes.

IV Development assistance for sustainable production systems

The EU does not believe that a single solution exists for achieving a sustainable development, but a combination of conventional instruments linked to the characteristics of the Country and the product. It is obvious that the balance between supply and demand is one of the fundamental conditions for implementing a sustainable Coffee economy through which remunerative and fair prices can be achieved. The EU as a main consumer is prepared to assist producing countries as far as possible in this endeavour, notably for what quality is concerned. However, this approach may be seen as static and over cautious, with little attention to measures which could stimulate consumption and lead to a future expansion of the coffee market, notably when sustainability is in question. The EU has provided until now an important financial support to Fair Trade and other sustainable trade related activities essentially through its development cooperation instruments and co-financing actions with NGOs. Between 2007 and 2008 19.4 million were allocated. Other actions, contributing to facilitating sustainability, will be financed by the multiannual Country Strategy Papers and Indicative Programmes covering agricultural and rural sectors. The EU Commission as co-responsible of the programmes believes in ownership;

² The State of Sustainable Coffee – Daniele Giovannucci and Freek Jan Koekoek

³ FLO: Fairtrade Labelling Organisation

⁴ Sources: websites or annual reports

beneficiary countries therefore must identify their needs and priorities and insert their own development strategies and programmes.

In the coffee sector, for example I quote a project of more than half million € undertaken in Bolivia titled "*Café amigable con la naturaleza Santa Cruz*". As a normal and current basis, the EU provides support to projects notably on a demand-driven basis, responding to grant requests, for co-financing actions. Regarding our host country Guatemala, the EU has also undertaken a number of projects and activities addressed to the coffee sector, some have been just concluded, others are still operative. Among these actions I mention: *Support to small and micro enterprises* (ended last year 6,5 million), another on going in *the field of trade* including the possibility for Guatemala to achieve its own certification and through an NGO "*Mujeres cafecultoras*".

Quite often, the EU Commission is criticised for its limited action in commodities. I wish to recall that the EU is the biggest aid donor in the world, channelling some 60% of the total official development assistance to Latin America, Asia, Pacific, Middle East, Africa and Caribbean (49 Billion € in 2008, or 100 € per European citizen). The Commission is the third world donor after US and Germany, the Commission is the second donor for humanitarian aid. In 2008 the EU Commission has committed 9,3 billion € for development. Commodities programmes, through specific EU Action Plans, benefit inter alia from 45 million € with the aim to finance important and enlarged activities and projects through multilateral organisations. In this framework, for the coffee sector 1,15 million € were allocated for Cameroun. At a more regional level, some training courses in price risk management notably addressed to the "Eastern African Fine Coffee Association" were also organised, Other similar initiatives along the coffee supply were also addressed to Haiti, before the terrible earthquake tragedy.

This of course must be seen as complement to the EU Member States national intervention. In times of economic crisis, sustaining financing for development is difficult but crucial for poor countries, suffering even more than their developed counterparts.

V. The added value and the reasons for EU to participate to Commodity Agreements

I wish to conclude this presentation with a short explanation on the reasons why the EU continues to be involved in commodities area, when from many sides, there is a trend to look at commodities from different angles than their particular agreements or international frameworks. I recognise that it could be legitimate, as it is sometimes difficult to assess the impact of these agreements. However, the EU interest in commodity agreements and bodies derives from a political and economic assessment of trade in commodities through International Agreements, as a poverty alleviation instrument. According to the respective specificities of the products, agreements like the International Coffee Agreement and organisations

like the International Coffee Organisation have an impact in terms of development. In supporting sustainable commodity economies for the achievement of the Millennium Development Goals, commodity agreements and organisations are looked as key instruments and actors for the above purposes, where both producers and consumers may contribute to the supply chain in order to ensure, where and when possible, fair prices, good quality and availability of supplies. The agreements can be looked as tools to avoid strong competition among countries, for the benefit of a more stable economy. These concepts were also developed by the Secretary General of UNCTAD in his opening remarks. The EU added value is also linked to the Member States involvement. As I already underlined, the EU does not duplicate, but replaces and complements Member States, all acting in a continuous coordination process. With the recent entry into force of the Lisbon Treaty a more democratic and transparent inter institutional dialogue has been introduced implying, inter alia, a more increased involvement of the European Parliament in the international negotiations and agreements. Sustainability, at all levels, will certainly represent a central and key issue.

Looking to the future, let me remind that two years ago the EU adopted a joint Aid for Trade strategy aiming at supporting all developing countries, particularly the Least developed Countries (LDCs) to better integrate into the rules-based world trading system and to use trade more effectively in promoting poverty eradication. These principles perfectly fit in with the general policy concerning commodities.

VI. Conclusion.

Excellencies, Ladies and Gentlemen,

We have seen that the EU considers Sustainability as a key pillar of its development policy. Without a coherent, coordinated approach there is no room for an effective action. Commodities have always been considered a very special tool for development in order to tackle poverty and world inequality.

I started quoting the European Union Treaty but I wish to end quoting Nelson Mandela saying:

"Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. Where poverty persists, there is no true freedom".

These words borrowed by the new EU Commissioner to development Andris PIEBALGS in his first speech can be considered today as our "motto", because they reflect perfectly the EU vision, as encapsulate the high values which are the basis for the EU's development policy today.

Thank you for your attention.