

THE POLITICS OF FAIR TRADE

A SURVEY



Editor **MEERA WARRIER**

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Abbreviations

ACP	African, Caribbean and Pacific
AoA	Agreement on Agriculture
ATO(s)	Alternative Trading Organization(s)
CAP	Common Agricultural Policy
CCC	Clean Clothes Campaign
CSR	corporate social responsibility
EFTA	European Fair Trade Association
ETI	Ethical Trading Initiative
EU	European Union
FACE	Farmers' Advisory Cell
FDI	foreign direct investment
FLO	Fairtrade Labelling Organizations International
FTF	Fair Trade Federation
FTO(s)	Fair Trade Organization(s)
FWF	Fair Wear Foundation
g	gram(s)
GAP	Good Agricultural Practices
GATT	General Agreement on Tariffs and Trade
ha	hectare(s)
ICAs	international commodity agreements
IFAT	International Fair Trade Association/International Federation for Alternative Trade
IFOAM	International Federation of Organic Agriculture Movements
IGO(s)	international governmental organization(s)
IMF	International Monetary Fund
INGO(s)	international non-governmental organization(s)
IPC	Integrated Programme for Commodities
ISO	International Standards Organization
lb	pound(s)
LI	Labelling Initiative(s)
m.	million
MFA	Multifibre Arrangement
MFN	most favoured nation
MNCs	multinational companies/corporations
NAFTA	North American Free Trade Agreement
NGO(s)	non-governmental organization(s)

ABBREVIATIONS

NIs	National Initiatives
NICs	<i>newly industrializing/industrialized countries</i>
OECD	Organisation for Economic Co-operation and Development
RA	Rainforest Alliance
SKU	stock-keeping unit
SFTMS	Sustainable Fair Trade Management System
TNCs	transnational corporations
TRIPS	Trade-Related Intellectual Property Rights
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US(A)	United States (of America)
WFTO	World Fair Trade Organization
WTO	World Trade Organization

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Essays

Introduction

MEERA WARRIER

From humble beginnings as an alternative trading movement slowly picking up momentum from about the 1970s, 'fair trade' has come a long way. Fair trade campaigners argued that the market confines poor countries to export goods whose prices are historically low and vulnerable to fluctuations. Furthermore, the internationalization of production has led to the exploitation of workers in the developing world, leading to a lowering of labour standards and wages. Following fair trade campaigns, increasing numbers of people in richer countries began demanding goods produced in socially and environmentally friendly conditions. And fair trade has been expanding, becoming almost a brand in itself, with all major retailers and supermarkets in richer countries stocking ethically produced commodities, and with buyers willing to pay a higher price for these products.

In 2009 there were 827 organizations in 60 countries spanning three continents producing Fairtrade goods. The expanding reach of fair trade with respect to producers has been equalled and exceeded by its reach with customers. In what has been one of the most difficult economic years in recent times, consumers spent an estimated €3,400m. on Fairtrade products in 2009, a good 15% increase over the previous year. Fairtrade gained new customers in Eastern Europe and many countries in the Global South. And existing Fairtrade markets showed strong growth, with a 12% growth in the UK and 7% in the USA. Australia and New Zealand too showed a big leap, with consumers significantly increasing their Fairtrade shopping (by 58%).

Sales in Fairtrade herbs and spices multiplied as Fairtrade Labelling Organizations International opened its scope to include all varieties of herbs and spices. Coffee, the pioneer Fairtrade product, grew steadily at 12%. The products to see the greatest increases were cocoa (35%) and sugar (57%), brought about in no small part by the 100% commitments by global chocolate and confectionery brands including Cadbury Dairy Milk, Nestlé's Kit Kat, Green & Black's, and Ben & Jerry's.

Growth, however, has brought its own challenges, including fair trade's relationship with the mainstream market. But first, some clarification on terminology is called for. The most common signifier of fair trade for consumers has become the Fairtrade Mark, the distinct blue, green, white and black mark with FAIRTRADE spelt out below it. This mark, adopted by Fairtrade Labelling Organizations International in 2002, assures retailers and consumers that the producers of that commodity in the developing world are

getting a better deal. It suggests that certain minimum standards have been met with respect to social, economic and environmental requirements. Built into it are also progress requirements that encourage continuous improvement of farmers' organizations or the situation of estate workers (see Graeme Auld's chapter for more on fair trade standards and certification).

However, 'fair trade' is much broader than 'Fairtrade', the brand, and spans a wide range of commodities and activities. It includes agencies like Oxfam, Traidcraft and Twin Trading with close links to producer groups and their own retail outlets; labelling organizations like Max Havelaar in the Netherlands and the Fairtrade Foundation in the UK; co-operatives like the USA's Equal Exchange; ethical businesses like the Body Shop and Green and Black's chocolate company; NGO-sponsored products like Cafédirect; plus a range of umbrella organizations. Fair trade is the global movement responsible for unique and progressive companies like Divine Chocolate Ltd and AgroFair.

The Fairtrade mark, as stated above, is a symbol of the product certification system that offers consumers (mainly food) products made under 'fair trade' conditions. The Fairtrade mark is peculiar to the multitude of labelling initiatives under the umbrella Fairtrade Labelling Organizations International (FLO), which was created through the merger of the labelling initiatives Max Havelaar, Transfair and Fairtrade (of the Fairtrade Foundation in Britain). FLO can claim to be the largest fair trade initiative in existence. It has grown from a small non-governmental organization to a global enterprise, with 21 international bodies which set the standards for certification. Estates are checked and certificates awarded by FLO-CERT. The list of products certified Fairtrade is growing steadily. Amongst products currently receiving certification are coffee, tea, rice, fresh fruit, juices, cocoa, sugar, honey, sports balls, and flowers. Products currently in development include avocado and other fresh fruits and vegetables, cereals including quinoa, spices, dried fruits and nuts, and more wines.

This volume provides an overview of the current global fair trade scenario, with in-depth analyses of fair trade's successes, its compromises, and glimpses of the road ahead. The first half of the book provides a critical examination of both the principles behind fair trade as well as its operationalization. Each chapter presents a particular facet of the fair trade story, and can be read alone or in conjunction with the others. The section concludes with a case study each on handicrafts, cocoa and coffee. Each of these three case studies is unique in some way. The nascent beginnings of the fair trade movement were through the sale of handicrafts from the developing world in special outlets like the worldshops. Coffee was the first product to be certified and is a commodity that is still showing steady growth in the fair trade market. Unlike other fair trade products, cocoa reaches the Northern consumer not as it is, but as processed chocolate, and the processing is mostly done in the North.

The latter half of the book provides a cross-referenced glossary of over 150 key terms associated with fair trade, as well as some recent statistics on fair trade.

When there are ethical issues at stake, as in 'fair' trade, there will no doubt be contentions as to what constitutes 'fairness'—fair to what or whom. As such, none of the chapters are neutral—they bring their authors' reasoned arguments, based on evidence, as to the perceived 'fairness' in current arrangements, the opportunities to explore and possible pitfalls.

FAIR TRADE: THE DILEMMAS AND THE OPPORTUNITIES

In April 2010 a press release from the Fairtrade Foundation announced that the organization had been awarded the Queen's Award for Enterprise in the Sustainable Development category. The Queen's Award notification cited the Fairtrade Foundation as 'making a tangible difference to the livelihood and quality of life of local communities within some of the world's poorest regions and is an outstanding demonstration of the benefit which sustainable consumerism has on communities across the globe' (see www.fairtrade.org.uk/press_office/press_releases_and_statements/april_2010/fairtrade_foundation_wins_queens_award_for_enterprise.aspx).

Then, in August 2010, the Fairtrade Foundation became one of two British recipients of the Ruban d'Honneur Award for Corporate Sustainability in the European Business Awards. The European Business Awards, sponsored by HSBC, is an independent awards programme designed to recognize and promote excellence, best practice and innovation in the European business community, in line with the broad aims of the European Union and business representative groups across the member states (see www.fairtrade.org.uk/press_office/press_releases_and_statements/august/fairtrade_foundation_scoops_major_business_award.aspx).

These two awards may not constitute the Oscars in business awards, but are nevertheless indicative of the accolades fair trade has earned in recent times. The intentions and actions of an organization like the Fairtrade Foundation are to be lauded. Indeed, the spirit of solidarity and the antipathy to the corporatization of production and the loss of connection between producer and consumer that lay at the heart of the earliest efforts at setting up an alternative trading system stand as beacons of hope for the possibility of change. Yet, niggling doubts remain—is it corporate sustainability that fair trade is aiming for?

It was Michael Barratt-Brown (1993), one of the earliest writers on fair trade, who described fair trade as being both 'in and against' the market. The worry today is whether fair trade is more 'in' the market than against it. What are the compromises this entails? Can fair trade be against the market while being in it without losing something of itself?

There is no doubt that in many ways fair trade is very much working within the capitalist paradigm. Consider, for instance, fair trade's marketing of its products. The advertising strategies that evoke an individually named small producer, in his or her verdant farm, picking tea or coffee, and directly addressing the consumer to tell him or her of the benefits the fair trade

premium has brought to producers' lives, is a supreme example of the movement having commandeered the tools of corporate business to good effect. The string of advertisements put out by Cafédirect, a pioneer in the fair trade arena, is just one illustration of this. Indeed, there are those who would argue that through a typically capitalist sleight-of-hand, fair trade has been subjugated to the ethos of consumption. The onus is now on the consumer to be socially responsible through consumption. It is through consuming [fair trade goods], the subtext reads, that the world can be made a better place. Catherine Dolan discusses this further in her chapter.

In taking the certification route too, fair trade might be said to have placed itself quite squarely within the logic of capitalism. The originally conceived shortening of the supply chain is effected today through a more depoliticized technical solution—certification. Products to be certified have to adhere to a set of minimum standards. There is no denying the usefulness of standards, but a certification system does take away from the more personal, solitary relationship between producer and consumer that was envisaged in the early days of the alternative trade movement.

But that may be a price that fair trade needs to pay to grow the market. Certification has facilitated the entry of more mainstream players. And whilst the presence of bigger players with much greater resources has meant a further push for fair trade product sales, it raises the question of whether the original concerns of fair trade may not be diluted; whether fair trade might not have sold its soul to big corporations. The small, marginalized producers, whom fair trade sought to represent and provide a sustainable livelihood to, are likely to struggle to compete with larger players, who can undercut prices and use non-fair trade lines to cross-subsidize the sale of fair trade products. It also blurs important differences for the consumer who sees the same logo, whether it is Tesco's own fair trade coffee, or coffee sold by a small company exclusively selling fair trade produce.

Is anything left of fair trade then that is 'against' the market? Pre-financing, the minimum price and the premium, it can be argued. Fairtrade guarantees a minimum price to farmers, which is set at a level that ensures that producer organizations receive a value covering the cost of sustainable production. However, this is not a living price, and a lot of the value of the minimum price for coffee, for instance, has been eroded over time by inflation. And it has not been easy for producers—even very small incremental changes to the minimum price have been difficult to secure, as witnessed, for instance, in the case of Arabica. Under consistent pressure from producer groups, the minimum price for this coffee went up marginally from US \$1.21 per pound to \$1.25 and the social premium rose from \$0.05 to \$0.10 per pound (the last increase had been in 1989!). The premium is another incentive for producers. Whilst it has proved to be useful for inputs and equipment in farmers' co-operatives, criticisms have been levelled on the ground that they are not high enough, or that the benefits do not spread to a large enough group of growers, or, as in the case of plantations, for instance, that the total premium does not make it back to the growers.

The definition of fair trade suggests that it is:

a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.
(http://www.fairtrade.org.uk/what_is_fairtrade/fairtrade_foundation.aspx)

This definition provides a model of trade that achieves certain social objectives such as better trading conditions and the securing of rights, while at the same time seeking to challenge the orthodoxy, and raising consumer consciousness in the North to this end. It has promoted better working conditions, with fair trade buyers guaranteeing minimum price, advancing loans to help producers avoid getting into debt, ensuring that trade is as direct as possible bypassing intermediaries, and thereby ensuring that producers get a higher share of the final price. It is also designed to create the development of higher value-added packaging facilities in less developed countries, and a niche for traditionally made products in the global market. However, fair trade can only encourage good practice; it is powerless to do anything actively to discourage bad practice. Buying into fair trade certification is a purely voluntary gesture, and does not mean a corporation has to be bound by the certification guidelines for all their product lines or business processes, thus allowing big corporations to jump on the fair trade bandwagon to improve their brand positioning by converting just a few product lines to fair trade, whilst not changing their overall business practices. And in the absence of efforts to secure responsible market management, there is a limit to what fair trade can achieve.

AIM AND STRUCTURE OF THE VOLUME

This volume provides an incisive introduction to fair trade, placing it in the context of neoliberal globalization and free trade, and understanding the paradoxes and contradictions fair trade poses by being both part of the market and yet against it. It looks at its governance structures, the way it is experienced by both producers and consumers, and asks where the opportunities are for fair trade in developmental terms.

The central goal of the fair trade movement has been to create more direct, socially just and environmentally responsible trade relations, where the link between producer and consumer is shortened, and a greater part of the value of the product goes back to the producer. To understand the full import of the metaphorical distance to be shortened we need only consider that the ‘producers’ are all in developing, Southern countries, and the consumers are in the more developed, Northern countries.

What has made for these rather extended and unequal relations? Jens-Uwe Wunderlich’s chapter places fair trade in the context of the neoliberal organization of trade, and the global institutions managing it. It looks at the

rhetoric around 'free' trade, and asks whether 'free' trade can be 'fair' trade or whether the two are anathema to each other. He takes us back to the liberal, mercantilist and critical traditions to provide us with the analytical toolkit to analyse the arguments for and against free trade, whilst at the same time training the spotlight on the gap between the theory and practice of free trade. Whilst developed countries have been pushing developing countries to liberalize their trade and open up their borders to exports from the North, they themselves have kept their doors firmly shut in the face of the largely primary commodity exports from the South. Furthermore, the agricultural sector in a number of these countries is hugely subsidized, and the large food surpluses generated are dumped in poorer country markets, robbing Southern producers of their livelihoods, both from domestic markets and exports. If the North practised what it preached, and opened up its borders to primary commodity exports from the developing world, that alone could achieve more than the aid currently provided to these countries. An Oxfam report, *Make Trade Fair*, estimates that African countries would generate about US \$70,000m. if their share of exports were increased by just a single percentage point. And this would be approximately five times what the continent currently receives in aid.

But despite protests, campaigns and lobbying by both Southern countries and those in solidarity with them in the North, little has been achieved. Indeed, the product of the Uruguay Round, the World Trade Organization (WTO), is seen by critics as having only laid the ground for large multinational corporations to claim more rentier income. The WTO's Agreement on Agriculture, for instance, has yet to show any real teeth in effecting far-reaching policy changes. And the use of the term 'fair' in the trade discourse in these circles has quite a different meaning and import than that used by advocates of a fairer trade regime. Fairness has been used in the context of 'levelling the playing field', with demands for harmonizing labour and environmental standards, so that developing countries would not have an 'unfair advantage' such as lower labour costs or less stringent environmental regulations that will render Northern countries less competitive.

The success of fair trade products, whilst still only a tiny proportion of total sales, has whetted the appetite of large multinational corporations to build an image of 'fairness' or of environmental, social and/or economic sustainability into their brands. The labelling and certification industry in socially, ethically and environmentally responsible practices has burgeoned since 1988, when the first fair trade label, Max Havelaar, was launched as an initiative of the Dutch development agency, Solidaridad, selling 'Fairtrade' coffee from Mexico in Dutch supermarkets. Just nine years later, FLO was established in Bonn, Germany, to unite various national labelling initiatives under one umbrella to establish worldwide standards and certification.

Third party certification was just what corporations needed to give them that edge of credibility in the public's eye, argues Sam Knowles in his chapter, 'The Commodification of Ethics'. There are several different forms of