

## FAIR TRADE, THE FAIREST OF THEM ALL

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### Abstract

*Fair Trade is a complex trading partnership which seeks greater equity in international trade by creating closer relationships between the consumers and the producers from the geopolitical North and South. From its shy beginnings as an alternative means of selling craftwork in charity shops, Fair Trade products have become highly accessible to the consumers in Europe and the United States.*

*While sales remain fairly low in global terms, the growth of the Fair Trade market has been phenomenal: in 2008, global Fair Trade sales reached 2.9 billion euros, growing at a rate of 22% per annum. In 2009, this percentage reached 37%. Fair Trade products occupy between 0,5-5% of all sales in Europe and the United States. By 2010, over 1.5 million disadvantaged producers were directly benefiting from Fair Trade, while an additional 5 million were enjoying the fruits of infrastructure and development projects financed through the Fair Trade system.*

*In order to make these possible, Fair Trade has incorporated a dynamic series of products, standards and certification systems, new actors, new political and organizing alliances and more and more complex governmental arrangements.*

### Fair Trade under the Lens

“Fair Trade 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.

Fair Trade organizations have a clear commitment to Fair Trade as the principal core of their mission. They, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade. They can be recognised by the WFTO logo.

Fair Trade is more than just trading: it proves that greater justice in world trade is possible. It highlights the need for change in the rules and practice of conventional trade and shows how a successful business can also put people first.”<sup>1</sup>

Though it started as a social movement generated by the market, Fair Trade today is a global movement. Over a million small-scale producers and workers are organized in as many as 3,000 grassroots organizations and their umbrella structures in over 50 countries in the South. Their products are sold in

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<sup>1</sup> [www.wfto.org](http://www.wfto.org)

thousands of World-shops or Fair Trade shops, supermarkets and many other sales points in the North and, increasingly, in sales outlets in the Southern hemisphere.

Many voices claim that the Fair Trade movement is at an important crossroads (Raynolds and Murray, 2007: p. 233). The question of which direction will the Fair Trade movement take has generated an impressive series of debates related to the market ability of creating social equity. The movement is engaged in debates with political decision-makers in the European institutions and international fora on making international trade fairer. On top of that, Fair Trade has made mainstream business more aware of its social and environmental responsibility.

### **From a Social Movement Generated by the Market to a Global Phenomenon**

In the United States, Ten Thousand Villages (formerly Self Help Crafts) began buying needlework from Puerto Rico in 1946, while in 1958 the first formal “Fair Trade” shop opened. SERRV began to trade with poor communities in the South in the late 1940s.

In Europe in the 1950s Oxfam UK started to sell crafts made by Chinese refugees in Oxfam shops. In 1964 it created the first Fair Trade Organization. In the Netherlands in 1967 the importing organization, Fair Trade Original, was established, and a Dutch third world groups began to sell cane sugar with the message “by buying cane sugar you give people in poor countries a place in the sun of prosperity”. These groups went on to sell handicrafts from the South, and in 1969 the first “Third World Shop” opened. World Shops, or Fair Trade shops as they are called in other parts in the world, have played (and still play) a crucial role in the Fair Trade movement. They constitute not only points of sales but are also very active in campaigning and awareness-raising.

Parallel to this citizens’ movement, the developing countries were addressing international political fora such as the second UNCTAD conference (United Nations Conference on Trade and Development) in Delhi in 1968, to communicate the message “Trade not Aid”. This approach put the emphasis on the establishment of equitable trade relations with the South, instead of seeing the North appropriate all the benefits and only returning a small part of these benefits in the form of development aid.

In the beginning, Fair Trade Organizations traded mostly with handicrafts producers, mainly because of their contacts with missionaries. Often, crafts provide “supplementary income” to families; they are of crucial importance to households headed by women who have limited employment opportunities. Most Northern Fair Trade Organizations focused on buying these crafts and sold them through World Shops. The market for crafts through these World shops was wide open and for many Fair Trade Organizations sales grew and grew.

In 1973, Fair Trade Original in the Netherlands, imported the first “fairly traded” coffee from cooperatives of small farmers in Guatemala. Now, more than 30 years later, Fair coffee has become a concept. Meanwhile hundreds of

thousands of coffee farmers have benefited from Fair Trade in coffee. And in Europe more and more consumers drink fair coffee. Right now between 25 to 50 % of turnover of Northern Fair Trade Organizations comes from this product.

After coffee, the food range was expanded and it now includes products like tea, cocoa, sugar, wine, fruit juices, nuts, spices, rice, etc. Food products enable Fair Trade Organizations to open new markets, such as institutional markets, supermarkets and bio shops. In addition to these food products, other non food products such as flowers and cotton have been added to the Fair Trade assortment.

From the mid 70s, Fair Trade Organizations worldwide began to meet informally in conferences every couple of years. By the mid 80s there was a desire to come together more formally and the end of the decade saw the foundation of the European Fair Trade Association (EFTA, an association of the 11 largest importing organizations in Europe) in 1987 and the International Fair Trade Association (IFAT), now the World Fair Trade Organization (WFTO), in 1989. The organizations that are a part of WFTO vary greatly. They represent the whole chain from producer to sale and also include support organizations such as Shared Interest, which provides financial services and support to producers. Networking between Fair Trade Organizations is crucial to their success. All over the world, networks have been established.

From the beginning, the Fair Trade movement aimed to raise awareness among consumers of the problems caused by conventional trade, and to introduce changes to its rules. The sale of products always went alongside with information on the production, producers and their conditions of living. It has become the role of World / Fair Trade Shops to mobilize consumers to participate in campaigning activities for more global justice.

The first European World Shops conference took place in 1984. This conference set the beginning of close cooperation between volunteers working in World Shops from all over Europe. The Network of European World Shops (NEWS!) was formally established in 1994 and now represents approximately 3.000 World Shops in close to 20 European countries. NEWS! coordinates European campaigning activities and stimulates the exchange of information and experiences about development of sales and awareness raising work.

In the course of the years, the Fair Trade movement has become more professional in its awareness-raising and advocacy work. It produces well-researched documents, attractive campaign materials and public events. It has also benefited from the establishment of European structures that help to harmonize and centralize its campaigning and advocacy work. An important tool was the establishment of a joint Advocacy Office in Brussels, which focuses on influencing (European) policy-makers. It is supported, managed and funded by the whole movement, represented in FLO, WFTO, NEWS and EFTA.

Fair Trade and Fair Trade Organizations have been recognized repeatedly by European Institutions as well as national and regional governments for its contribution to poverty reduction, sustainable development and consumer

awareness-raising. The European Parliament passed several resolutions on Fair Trade (in 1994, 1998 and 2006) and many European ministers and prime ministers have publicly endorsed Fair Trade. Ever more public institutions are serving Fair Trade products and local authorities include fair and sustainable criteria in their public tenders. Thousands of towns, universities and churches have applied for Fair Trade status, committing to promote Fair Trade and to contribute to overcoming poverty and exclusion. Increasingly, representatives from developing countries promote Fair Trade because it enables small and marginalized producers in their countries to live and work in dignity. Fair Trade is increasingly on the agenda of policy makers throughout the world.<sup>1</sup>

### **The Fair Trade Charter**

Fair Trade is a complex trading partnership which seeks greater equity in international trade by creating closer relationships between the consumers and the producers from the geopolitical North and South. Thus, the organizations which promote this type of trade have actively been engaged in supporting the producers, in informing the population and in managing companies in order to bring about change in the international trade legislation.

The growth of Fair Trade (or alternative trade as it was called in the early days) from the late 60s onwards has been associated primarily with development trade. It grew as a response to poverty and sometimes disaster in the South and focused on the marketing of craft products. Its founders were often the large development and sometimes religious agencies in European countries. These NGOs, working with their counterparts in countries in the South, assisted to establish Southern Fair Trade Organizations that organize producers and production, provide social services to producers, and export to the North. Alongside the development trade there was also a branch of solidarity trade. Organizations were set up to import goods from progressive countries in the South that were both politically and economically marginalized.

Fair Trade became necessary because the value of global international trade transactions has tripled in the last twenty years, while its benefits are not equitably shared. The liberalization of trade, supported by the WTO (World Trade Organization) makes it extremely hard for small producers to compete in the world market. Free trade aims at improving competition, but when strong economies can profit from impressive subsidies and protection denied to less developed countries, this competition is over all unfair.

Trade is the major factor in economic growth, but at the same time it can generate massive inequalities. The Fair Trade movement is a key solution to these problems. It gives consumers the possibility of using their purchase power in order to shift the balance, ever so slightly, in favor of developing countries. Fair Trade (or Fairtrade<sup>2</sup>) is the answer to the failures of traditional trade in providing a

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<sup>1</sup> Marlike Kocken, Manager of EFTA, [www.wfto.org](http://www.wfto.org).

<sup>2</sup> Fairtrade (as opposed to Fair Trade) is used when referring to the certification system of a product by the international Fair Trade Labelling Organizations.

sustainable livelihood and real development opportunities to those living in the LDCs (Least Developed Countries); this is better underlined by the 2 billion people living under \$2 per day, while working in dire conditions.

Poverty and the problems it generates (high child mortality, low life expectancy, high criminality, alcohol and drug abuse, prostitution and massive STDs occurrences) limits personal choices, while the market pressures drives the population towards marginalization and social exclusion. This makes them vulnerable to exploitation, whether we take into account farmers or artisans organized in productive family units, or individuals employed in larger establishments. Thus, the objectives of Fair Trade initiatives are expressed through a diverse array of practical activities and programs, seeking to best answer the specific needs of the local context in which the targeted persons live and work.

The Charter offers a sole point of view when it comes to Fair Trade, by providing a concise explanation of the principles of Fair Trade and the basic two ways in which these can be put into action. It also provides the basis of a future dialog and cooperation between the Fair Trade organizations – and between those and other actors – aiming to enable Fair Trade to reach its full potential and provide higher equality in the international trade.

The Fair Trade movement shares a view of the world in which justice and sustainable development are the centrepiece of trade practices and structures, so that each person can ensure for himself a decent living through work and can fully develop his whole human potential.

### **The Ten Principles of Fair Trade**

WFTO prescribes 10 Principles that Fair Trade Organizations must follow in their day-to-day work and carries out monitoring to ensure these principles are upheld:

*Principle One: Creating Opportunities for Economically Disadvantaged Producers*

*Principle Two: Transparency and Accountability*

*Principle Three: Fair Trading Practices*

*Principle Four: Payment of a Fair Price*

*Principle Five: Ensuring no Child Labour and Forced Labour*

*Principle Six: Commitment to Non Discrimination, Gender Equity and Freedom of Association*

*Principle Seven: Ensuring Good Working Conditions*

*Principle Eight: Providing Capacity Building*

*Principle Nine: Promoting Fair Trade*

*Principle Ten: Respect for the Environment.*

### **Promoting Fair Trade - WFTO – World Fair Trade Organization**

The World Fair Trade Organization (WFTO) is the global representative body of over 450 members. The WFTO is the authentic voice of Fair Trade and a guardian of Fair Trade values. The WFTO operates in 76 countries across 5

regions; Africa, Asia, Europe, Latin America, and North American and the Pacific Rim, with elected global and regional boards, to create market access through policy, advocacy, campaigning, marketing and monitoring. It is the only global network whose members represent the Fair Trade chain from production to sale.

WFTO members are organisations differentiated by their 100% Fair Trade commitment to eradicate poverty through sustainable economic development; pioneering social and environmental policy and practice and continual reinvestment in marginalised artisans, farmers and producer communities in some of the most fragile places on earth.<sup>1</sup>

### **Fair Trade Organizations and Fair Trade Labelling**

In the first decades Fair Trade products were sold mainly by Fair Trade Organizations that had Fair Trade as the central ethos guiding their activities. In the seventies and eighties, Fair Trade products were sold to consumers mainly in world shops or Fair Trade shops.

In the second half of the 1980s, a new way of reaching the broad public was developed. A priest working with smallholder coffee farmers in Mexico and a collaborator of a Dutch church-based NGO conceived the idea of a Fair Trade label. Coffee bought, traded and sold respecting Fair Trade conditions would qualify for a label that would make it stand out among ordinary coffee on store shelves, and would allow not only Fair Trade Organizations, but any company to sell Fair Trade products. In 1988, the “Max Havelaar” label was established in The Netherlands. The concept caught on: within a year, coffee with the label had a market share of almost three percent.

In the following years, similar non-profit Fair Trade labelling organizations were set up in other European countries and in North America. In 1997 their worldwide association, Fairtrade Labelling International (FLO), was created. Today, FLO is responsible for setting international standards for Fair Trade products, certifying production and auditing trade according to these standards and for the labelling of products. The range of labelled products now counts almost twenty and is expanding. Fair Trade labelling has helped Fair Trade to go into mainstream business. Currently, over two-thirds of Fair Trade products, are sold by mainstream catering and retailing.

Parallel to the development of labelling for products, the World Fair Trade Organization (WFTO) developed a monitoring system for Fair Trade Organizations. In order to strengthen the credibility of these organizations towards political decision-makers, mainstream business and consumers, the WFTO Fair Trade Organization Mark was launched in January 2004. The Mark is available to member organizations that meet the requirements of the WFTO monitoring system and identifies them as registered Fair Trade Organizations. WFTO is

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<sup>1</sup> [www.wfto.org](http://www.wfto.org).

working with FLO on a Quality Management System for Fair Trade. WFTO is also developing a third-party certified product label for Fair Trade Organizations.<sup>1</sup>

### **The International Fair Trade Day**

Every year, on the second Saturday of May, the International Fair Trade Day is celebrated, thus highlighting the importance and the advantages of Fair Trade at a global level. The International Fair Trade Day is a WFTO initiative, which enjoys the support of thousands of citizens, producers and consumers, Fair Trade Organizations, social movements and local authorities.

During its history of over 60 years, Fair Trade has developed into a widespread movement. Thanks to the efforts of Fair Trade Organizations worldwide, Fair Trade has gained recognition among politicians and mainstream businesses. More successes are to be expected, as Fair Trade Organizations develop into stronger players and mainstream companies become more and more attuned to the demand for Fair Trade in the marketplace. Every individual can take part in this social and economic movement, at every possible level: as a consumer, producer, governmental player, local authority, NGO, whether the social inequality argument is the basis of change, or that of the sustainable development paradigm.

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<sup>1</sup> [www.wfto.org](http://www.wfto.org).

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