

Working paper FREE-Cahier FREE n°7-2010



Searching for Fairness in FairTrade

Jérôme Ballet* & Aurélie Carimentrand**

*IRD Madagascar, BP434, 101 Antananarivo, Madagascar & FREE (Fonds pour la recherche en éthique économique), France, jballetfr@yahoo.fr

**University of Bordeaux 3-Montesquieu, France, aureliecarimentrand@yahoo.fr

Abstract

The purpose of FairTrade is to influence world trade, and reduce the unfairness of exchanges. In this article we point out that so far it has done little to increase justice at the global and local levels. This is because it is increasingly adopting the logic of conventional trade. Nevertheless, paradoxically, it could help to improve things by promoting the relocalisation of exchanges between countries or regions that have the same level of development, a prospect that currently cannot be excluded.

Keywords: FairTrade, Fairness, Global Justice, Local Justice,
JEL classification: D31, D64

FREE

Association 1901 à vocation scientifique

SIREN : 483 263 620 / SIRET : 483 263 620 00013

email : freeethique@yahoo.fr web : <http://ethique.neuf.fr/>

Introduction

For the last decade, Fair Trade has been increasingly familiar to consumers, and sales have been growing in Europe, North America, and the Pacific Rim (Fair Trade Federation 2006). In Europe, sales of Fair Trade products have risen from 260 million Euros in 2000 to 1,699 million Euros in 2007 (Krier 2008). In North America and the Pacific Rim, sales of Fair Trade products in 2007 were estimated to be 947 million Euros (Krier 2008). At the international level, the current standard definition of *Fair Trade* stems from a consensus among four representative international organizations of the Fair Trade movement: *Fairtrade Labelling Organizations International* (FLO), *International Fair Trade Association* (IFAT, now known as the World Fair Trade Organization - WFTO), *Network of European Worldshops* (NEWS!), and *European Fair Trade Association* (EFTA). These four organizations are known collectively as “FINE” from their initials.

In 2001, the “*FINE consensus*” defined Fair Trade as follows:

“Fair Trade is a trading partnership based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to marginalized producers and workers – especially in the South, and securing their rights. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, raising awareness, and campaigning for changes in the rules and practice of conventional international trade”.

The concept of fairness has a long history, marked by changes in the meaning of the term (Sagan 2006), and FairTrade proposes a concept of fairness that is worked out at the global and local levels. At the global level, it attempts to change the rules governing international trade. At the local level, it tries to reach out to marginalised producers in developing countries.

This article discusses how far FairTrade is currently achieving this objective of promoting fairness at the global and local levels.

1. FairTrade and Fairness at the Global Level

At the global level, the following question arises: has FairTrade been able to alter the rules governing trade, or has it been subsumed by conventional trade?

The development of Fair Trade has not been linear. It has consisted of several stages (See amongst others for a historical description: Adams 1989; Barratt-Brown 1993; Moore 2004; Ballet & Carimentrand 2007; Raynolds et al. 2007).

If we focus on the recent past, the last thirty years, we see that FairTrade has undergone a radical structural change. Since the 1980s two types of Fair Trade commodity chains are generally distinguished: *i) specialised commodity chains* based on alternative networks, and *ii) labelled commodity chains* organised around non-specialised players (Raynolds 2000; Hubbard *et al.* 2002; Renard 2003; 2005; Becchetti & Huybrechts 2007). Such a distinction is very basic though insofar as the past few years have seen the emergence of a third type of commodity chains – *hybrid commodity chains* – bringing together specialised importers and non-specialised distributors (Ballet & Carimentrand 2007).

Specialised commodity chains are organised around specialised importers *and* distributors (such as Fair Trade central procurement units and shops). Unlike specialised commodity chains, the importing and distribution channels of labelled commodity chains are conventional, but their products are labelled “*Fair Trade*” by a third-party certification body. Labelled commodity chains are associated with the Fairtrade Labelling Organizations (FLO), as well as several other competing brands and labels that have sprung up over the past few years (*e.g. Utz Kapek, Good Food, etc.*). As regards hybrid commodity chains, they bring together Fair Trade specialised importers and non-specialised distributors (such as hypermarkets/supermarkets).

The growing prevalence of Fair Trade labels and brands has permitted the referencing of Fair Trade products in hypermarkets/supermarkets – a fast-expanding Fair Trade distribution channel –, while enhancing their popularity. By way of illustration, the turnover of alternative *World Shops* in Europe increased from 92 million euros in 1999 to 120 million euros in 2004. Yet, this figure appears low compared to the sales growth recorded by Fair Trade products distributed in hypermarkets/supermarkets (from 260 million euros in 1999 up to 660 million euros in 2004) (Krier 2005).

However, sales in supermarkets are not of the same type as those in specialist shops. The development of Fair Trade goods could then go hand in hand with a cut in product prices, which would inevitably weigh heavily on the producers involved. Such a risk is perceptible, since most Fair Trade consumers who shop in hypermarkets/supermarkets claim that excessive price acts as a brake on consumption. Conversely, most of the consumers who go to specialty shops consider that the price is fair (Sterckx *et al.* 2004). The most activist consumers are generally mainly aware of fairness, and pay less attention to the price and

quality of Fair Trade products than other consumers (Ozcaglar-Toulouse *et al.* 2006, Diaz Pedregal 2001). They also shop mainly in specialty shops, whereas the latter do not. Moreover, as emphasized by Chatzidakis *et al.* (2007), the excessive price argument contributes to rationalizing or justifying deviant behaviour with respect to the values displayed. Such a risk would be all the more harmful since the increasing power of mass marketing in the distribution of Fair Trade products could eventually combine with the possibility of seeing large hypermarket/supermarket groups impose their own conditions (Renard 2003; 2005).

In this sense, we can say that FairTrade has failed to modify the practices of international trade. Capitalism has taken on board some of the criticisms that have been made of it (Fukuyama 1992). However, so far FairTrade has not really succeeded in changing the rules, but rather has been absorbed by conventional trade, and now complies with these general rules.

2. FairTrade and Fairness at the Local Level

At the local level, the goal of FairTrade is to improve the situation of marginalised producers, and in particular to obtain fairer payment for producers. In practice, FairTrade cannot be reduced to just the redistribution of income. Producer organisations are in fact certified on the basis of complicated schemes, using various different indicators of distribution, for example including status as well as income (Diaz Pedregal, 2009). Furthermore, the FairTrade message points out that part of the surplus income is invested in improving the living conditions of producers: setting up basic healthcare centres, opening schools, improving roads and transport, etc.

Impact studies have been carried out during the last decade to evaluate the effects of FairTrade on marginalised producers (Hopkins 2000; Southgate 2000; Dietz *et al.* 2000; Ronchi 2000; Mestre *et al.* 2002; AlterEco 2002 ; Chauveau & Eberhart 2002; Aranda & Morales 2002; Lyon 2002 ; Martinez 2002; Mendez 2002; Pérez-Grovas 2002; Milford 2004; Diaz Pedregal 2006; Wilson 2010, among others). The findings of these studies highlight the fact that although FairTrade is improving the living conditions of some producers, this improvement is very slight. This is also what emerges if we focus on gender differences. Women do receive some benefits from FairTrade, and although these are still limited, they are real (Lyon *et al.* 2010).

Two criticisms are made that run counter to these improvements. Firstly, in the end does FairTrade not create islands of prosperity (Johnson 2001) for the producers who benefit from

it without producing any gains in terms of local development? In which case, FairTrade cannot be said to promote local fairness. For this reason, Dietz et al. (2000) suggest that the individuals who benefit from FairTrade should be rotated. This question is far from being settled, and there is incontestably a need for further investigation. However, as well as the studies that oppose FairTrade because of its very patchy nature, which results in the creation of islands of prosperity, other analyses have highlighted the effects of local overspill effects, notably on the prices paid to producers (for example see Milford 2004; and also Ballet and Carimentrand 2007, for an initial discussion). The effects of FairTrade may be felt throughout the zone where it is introduced, and not only amongst the producers who are part of the FairTrade network.

Secondly, far from reducing inequalities at the local level, FairTrade would actually seem to exacerbate them in many cases. Getz and Shreck (2006) have shown that the development of the Fair Trade certification of bananas in the Azua Valley in the Dominican Republic has accentuated socioeconomic inequalities between producers in the regions concerned. Carimentrand (2009) has also shown that FairTrade has tended to increase the inequalities between producers in the Bolivian Andes, where the main beneficiaries of FairTrade have been the large producers.

The difficulty that FairTrade experiences in reducing unfairness is linked to a considerable extent to its limited ability to influence the rules governing world trade, and to change the patterns of consumption. In other words, the limitations that it encounters at the local level reflect those that affect its action at the global level. The products supplied by FairTrade organisations must also, and to an increasing extent, comply with quality and quantity requirements; on the one hand so that distribution networks will be willing to offer them to their customers, and on the other because the customers also have their own quality criteria. The definitions and goals set by FairTrade cannot eliminate the concern for efficiency in the context of the current climate. The need to take this criterion on board is being experienced at the level of both the producers (Diaz Pedregal 2006) and the importers (Diaz Pedregal 2007). The growing importance of agro-business in FairTrade can only increase the quality requirements for products, resulting in increasingly severe selection of producers (Renard 2005). Bassett (2010) demonstrates clearly that, in the case of cotton, failure to construct an alternative commodity chain in both Burkina Faso and Mali, has meant that FairTrade has been incapable of changing the situation of small producers.

3. So What?

The inability of FairTrade to make any serious inroads into unfairness is linked to its increasing involvement in conventional distribution circuits (hypermarkets/supermarkets). At the same time, it is these very circuits that have allowed it to expand and gain popularity amongst a much wider public. Wilkinson (2007) has argued that its extension to a much bigger public could lead to a virtuous dynamism by persuading less militant consumers to go and look at the shops in specialist networks, and then to purchase goods from them. In fact, this process seems to be getting off to a sluggish start.

However, FairTrade has been able to make some contribution to enhancing fairness where it was least expected. On the one hand, by increasing the price of imported products, it provides some degree of protection to producers in the northern countries. On the other hand, South-South FairTrade movements are being set up between developing countries or regions. In both cases, it is helping to regulate competition at the worldwide level. Whereas it was originally intended to promote fairer exchanges between the North and the South, it actually seems to be leading to a more exchanges between zones with similar levels of development.

References

- Adams, R. (1989), *Who profits?*. Oxford: Lion.
- Alter Eco (2002), *Etude d'impact du CE au Sri Lanka*. Paris: Alter Eco.
- Aranda, J. & Morales, C. (2002), Evaluación de los beneficios actuales y el potencial para el combate a la pobreza, de la participación en redes de comercio justo de café en la coordinadora estatal de productores de café Oaxaca, Colorado State University/DESAL/Ford Foundation, USA, September.
- Ballet, J. & Carimentrand, A. (2007), *Le commerce équitable*. Paris: Ellipses.
- Barratt-Brown, M. (1993), *Fair Trade: Reforms and Realities in the International Trading System*. London: Zed Books Ltd.
- Bassett, T.J. (2010), 'Slim Pickings: Fairtrade Cotton in West Africa', *Geoforum* 41: 44-55.
- Becchetti, L. & Huybrechts, B. (2007), 'The Dynamics of Fair Trade as a Mixed-Form Market', *Journal of Business Ethics* 81(4): 733-750.
- Carimentrand, A. 2009, 'La difficile prise en compte des inégalités socioéconomiques par le commerce équitable : le cas du quinoa', *Ethique et économique/Ethics and Economics* [online] 6(2), <http://ethique-economique.net>.

- Chatzidakis, A.; Hibbert, S.; Smith, A.P. (2007), 'Why People Don't Take their Concerns about Fair Trade to the Supermarket: The Role of Neutralisation', *Journal of Business Ethics* 74:89-100.
- Chauveau, C. & Eberhart, C. (2002), Etude du commerce équitable dans la filière café en Bolivie, CICDA, France, May.
- Diaz Pedregal, V. (2009), 'Just certification', *Ethique et Economique/Ethics and Economics*, [online], 6(2), <http://ethique-economique.net>.
- Diaz Pedregal, V. (2007), *Le commerce équitable dans la France contemporaine. Idéologies et pratiques*. Paris: L'Harmattan.
- Diaz Pedregal, V. (2006), *Commerce équitable et organisations de producteurs. Le cas des caféiculteurs andins au Pérou, en Equateur et en Bolivie*. Paris: L'Harmattan.
- Diaz Pedregal, V. (2001), 'Ethique et objets ethniques, pratiques et représentations des consommateurs', *Consommations et Sociétés*, Cahier n°5, http://www.consommations-societes.net/numero5/articles/articles_%Equitable.html.
- Dietz, M.; Piepel, K.; Van Biesbrock, J. (2000), Development Impact of Fair Trade: Contributions for Discussions, Misereor-Bread for the World-Friederich Ebert Foundation.
- Fair Trade Federation (2006), Fair Trade Trends in North America and the Pacific Rim. Fair Trade Federation, Washington.
- Fukuyama, F. (1992), *La Fin de l'Histoire et le dernier homme*. Paris: Flammarion.
- Getz, C. & Shreck, A. (2006), 'What organic and fair trade labels do not tell us: towards a place-based understanding of certification', *International Journal of Consumer Studies* 30 (5), pp. 490-501.
- Habbard, P.; Lafarge, L.; Peeters, A.; Vergriette, B. (2002), Etat des lieux et enjeux du changement d'échelle du commerce équitable, Fair Trade Project, SOLAGRAL-CIRAD-CICDA-CEDAC, October.
- Hopkins, R. (2000), *Impact Assessment Study of Oxfam Fair Trade*. London: Oxfam, UK.
- Johnson, P. (2001), *Commerce équitable-Cahier de propositions pour le 21^{ème} siècle*, Fondation Charles Léopold Mayer pour le Progrès de l'Homme, Alliance pour un monde responsable, pluriel et solidaire, Paris.
- Krier, J.-M. (2008), Fair Trade 2007: new facts and figures from an ongoing success story, DAWS, Netherlands.
- Krier, J.M. (2005), *Fair Trade in Europe*, FLO-IFAT-NEWS!-EFTA.

- Lyon, S. (2002), Evaluation of the Actual and Potential Benefits for the Alleviation of Poverty through the Participation in Fair Trade Coffee Networks: Guatemala Case Study, Colorado State University, DESAL/Ford Foundation, USA.
- Lyon, S.; Bezaury; J.A.; Mutersbaugh, T. (2010), 'Gender equity in fairtrade-organic coffee producer organizations: case from Mesoamerica', *Geoforum* 41, 93-103.
- Martinez, M.E. (2002), Evaluation of the Actual and Potential Benefits for the Alleviation of Poverty through the Participation in Fair Trade Coffee Networks: The Case of the Tzobolotic Coffee Coop Chiapas, Mexico, Colorado State University, DESAL/Ford Foundation, USA.
- Mendez, E. (2002), Fair Trade Networks in Two Coffee Cooperatives of Western El Salvador: An Analysis of Insertion through a Second Level Organization, Colorado State University, DESAL/Ford Foundation, USA.
- Mestre, C.; Heeren, N.; Castro, I.; Rasamoelina, E. (2002), Evaluation de l'impact sur les producteurs du Sud de l'action commerce équitable mise en oeuvre par Artisans du Monde depuis 25 ans, Artisans du Monde, May.
- Milford, A. (2004), Coffee, Co-operatives and Competition: The Impact of Fair Trade, Chr. Michelsen Institute, Norway.
- Moore, G. (2004), 'The Fair Trade Movement: Parameters, Issues and Future Research', *Journal of Business Ethics* 53(1-2): 73-86.
- Ozcaglar-Toulouse, N.; Shiu, E.; Shaw, D. (2006), 'In search of fair trade: ethical consumer decision making in France', *International Journal of Consumers Studies* 30(5), 502-514.
- Pérez-Grovas, V. & Cervantes, E. (2002), Evaluación de los beneficios actuales y el potencial para el combate a la pobreza, de la participación en redes de comercio justo de café en la Union Majomut, Colorado State University, DESAL/Ford Foundation, USA.
- Raynolds, L.T. (2000), 'Re-Embedding Global Agriculture: The International Organic and Fair Trade Movement', *Journal of Agriculture and Human Values* 17: 297-309.
- Raynolds, L.T.; Murray, D. & Wilkinson, J. (2007), *Fair Trade. The Challenges of Transforming Globalization*. Routledge: Abingdon.
- Renard, M.C. (2003), 'Fair Trade: Quality, Market and Conventions', *Journal of Rural Studies* 19:87-96.
- Renard, M.C. (2005), 'Quality Certification, Regulation and Power in Fair Trade', *Journal of Rural Studies* 21:419-431.
- Ronchi, L. (2000), Fair Trade in Costa Rica: An Impact Report, University of Sussex, UK, February.

- Sagan, C. (2006), *The Rule of the Game*, [online], <http://19.org/index.php?id=73>.
- Southgate, A. (2000), *Analysis and Conclusions of the Participatory Impact Assessment Process of Apeca, Haiti*, Oxfam GB, UK, April.
- Sterckx, E.; Janssen, W.; De Peslmacker, P.; Mielants, C. (2004), *Beliefs, Attitudes and Buying Behaviour of Belgian Consumers towards Fair Trade Products*, Mimeo, Universiteit Antwerpen Management School, Belgium.
- Wilkinson, J. (2007), 'Fair Trade: Dynamic and Dilemmas of a Market Oriented Global Social Movement', *Journal of Consumer Policy* 30:219-239.
- Wilson, R.W. (2010), 'Indebted to FairTrade? Coffee and Crisis in Nicaragua', *Geoforum* 41: 84-92.