

Fair Trade

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Fair trade is an approach to market exchange that emphasizes equity and sustainability above profit. Fair trade is typically juxtaposed to free trade, the tenet of neoliberalism that advocates for the removal of all protective barriers that may cause restrictions in the flow of goods, services, and capital among countries in the global economy. Fair trade attempts to ameliorate competitive disadvantages and market failures ostensibly experienced under free trade by small producers, particularly those in lesser-developed regions, who are ill-equipped to deal on equal footing with transnational corporations and are thus subject to exploitation. It does this by establishing policies such as minimum pricing to cover the costs of production, including paying workers a living wage; establishing safe, fair, and environmentally friendly working conditions, including bans on child labor; and participating in other forms of social improvement, such as providing supplemental funding for infrastructure, educational, and social welfare enhancements. Fair trade is a complement to ethical consumption, a form of consumer activism whereby purchasing decisions are made based on moral or other principled considerations in addition to conventional economic criteria of rational calculation and marginal utility.

Fair trade systems are generally inaugurated by nongovernmental organizations (NGO) or social entrepreneurs, setting up direct relationships between small producers in lesser-developed areas, typically located in the Global South, and consumers in developed markets, typically located in the Global North. This reduces the influence of market intermediaries, who may otherwise extract profits and pass on costs to subsequent links in what is termed the supply chain, the various steps in bringing a product or service to market. As an economic development strategy, fair trade proposes to encourage self-determination and enhance the well-being of

the world's less fortunate while eliminating the corruption, exploitation, and dependency associated with conventional forms of aid. Among the prominent organizations actively engaged in fair trade are Oxfam, Ten Thousand Villages, Equal Exchange, and SERV International. Independent certification for fair trade has also arisen, providing an imprimatur for consumers, ensuring goods and services carrying the indicia meet standards of equitable and sustainable production. These include the Fairtrade International and World Fair Trade Organization certification marks.

The origins of fair trade can be traced back to early discontent with nascent capitalism. The apparent breakdown of a "moral economy" in eighteenth-century England, under which the patron classes had provided for those in need by placing limits on the workings of the free market, prompted social unrest in the face of the increasingly monopolized distribution of corn and other grains (Thompson 1971). The sugar boycott of the late eighteenth and early nineteenth centuries countered exploitation of Caribbean slaves in the British colonial plantation system with consumers refusing to purchase sweetener tainted with "Brother's blood." In the United States in the early nineteenth century, the abolitionist Free Produce Movement encouraged consumption of goods not produced by slaves; later in the Progressive Era, the National Consumers League issued "White Label" certification for goods produced under fair working conditions. Also in the nineteenth century, the English Cooperative movement of the Owenites and the Rochdale Pioneers created exchange networks to ameliorate the abuses of the modern division of labor, constituting what is now known as solidarity economics.

Modern fair trade was initially called "alternative trade," signaling its strategy of circumventing conventional power structures of international trade relations. There have been four waves of fair trade development since the Second World War (Nicholls and Opal, 2005). The first built upon the efforts of the Oxford Famine Relief Organization (Oxfam) in England, which during the war had

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sent food and other assistance to areas of Europe under Fascist occupation. First-wave groups were often faith-based, importing handicrafts, initially from Eastern Europe and then from other underdeveloped areas, for sale directly to buyers or in shops located in churches and other nonprofit organizations. By the 1970s, alternative trade organizations, such as Traidcraft, were beginning to emerge as a form of grassroots activism, using mail-order and social networking to connect producers in lesser-developed countries directly with conscientious consumers in the developed world. In the 1990s, fair trade began to attract broader international attention. NGOs such as the Fair Trade Labeling Organization (FLO), International Fair Trade Association (IFAT), and Rainforest Alliance assumed the role of independent certifying authorities, mediating between ever-growing numbers of consumers wanting eco-friendly, ethically produced goods and services and retailers willing to supply at least some portion of that demand. Since 2000, fair trade has increasingly entered the mainstream with more large-scale, commercially oriented enterprises involved. From the perspective of its advocates, fair trade has made the transition from a form of charity to a viable niche market and potentially a consumer-driven, market-based instrument of social change.

Current research on fair trade takes several directions. The more pragmatic seeks to understand the nature of supply and demand in the ethical market with an eye toward expanding its penetration. These studies look to uncover buyer motivations, assess the efficacy of fair trade and other types of ethical branding, develop merchandizing strategies, and so on, effectively using the same tactics as transnational corporations and supply chain structures that the alternative trade movement originally sought to circumvent. Policy-oriented research focuses more on the prospects of fair trade as an alternative form of development. These studies position fair trade as a more sustainable and equitable form of globalization, offering producers in the world's lesser-developed regions access to the benefits of global trade while mitigating the negative factors that have concerned opponents of the free trade policies of the World Bank, the International Monetary Fund, the World Trade Organization, and other institutions of transnational capital.

From the perspective of neoclassical economics there is the question of potential market distortion due to the effects of minimum pricing and the risk for oversupply; however, at least one study (Hayes, 2006) suggests that fair trade can strengthen labor competition, giving an incentive for formerly marginal producers to enter the global economy and therefore making it compatible with more progressive views of trade liberalization.

More critical inquiries question the ability of fair trade to become embedded as a mainstream practice that is truly sustainable and equitable. A major area of concern is the influence of corporations that might take advantage of the appearance of fair trade compliance without actually delivering on it, thereby diluting its marketplace effectiveness. An often-cited example is the coffee producer Starbucks, whose promotional communications accurately claim it is the world's largest purchaser of fair trade-certified coffee while its financial commitment to the category constitutes only a tiny fraction of its total supply. Another concern pertains to the evolution of fair trade certification, which due to its expense and at times burdensome requirements may in fact be a barrier to entry for many of those it was originally intended to serve. Then there is the question of whether a *market-based* principle is a meaningful change to the global market system. One such study (Sylla, 2014) conducted from the perspective of small producers primarily in Africa suggests that most fair trade benefits accrue to already well-positioned enterprises at the top of the supply chain in developed regions rather than to those poorer at the bottom, reestablishing colonial exploitation under a new guise.

Fair trade faces a number of challenges going forward. Most basic is its ability to broadly respond to an international mass market. Coffee is currently the largest global fair trade product with other agricultural commodities, such as cocoa and bananas, also prominently represented. The other area where fair trade has proliferated is traditional handicraft. Commodity products and craft items have fairly short, easy-to-follow supply chains, enabling relatively straightforward verification of each link from point of origin to point of sale. They generally have few if any additives, require simple processing, and are in many cases amenable to smallholder production.



The potential for upgrading into more profitable sectors of the global economy could therefore be limited. Expanding the fair trade product line into manufactured goods poses a particular dilemma. The disaggregated supply chains of many manufacturing processes, such as those of the apparel and electronics industries, use inputs from many sources that flow through a number of intermediaries and are subject to a variety of transformative processes, making the various links difficult if not virtually impossible to trace and hence verify. Brand equity, design expertise, established lines of supply and distribution, manufacturing infrastructure, access to end markets, and so on, constitute formidable barriers to entry for producers in the lesser-developed world in competing against transnational enterprises. Another challenge exists in that the fair trade concept originated and has for the most part been guided by “enlightened” segments in the developed world, raising the issue of self-determination on the part of those in the lesser-developed world whose needs and aspirations may be quite different from those envisioned on their behalf.

SEE ALSO: Consumption, Critical/Responsible; Consumption, Green/Sustainable; Development: Political Economy; Globalization, Consumption and; Neoliberalism; Supply Chains.

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ABSTRACT

Fair trade is an approach to market exchange that emphasizes equity and sustainability above the pursuit of pure profit. Fair trade is typically juxtaposed to free trade, the tenet of neoliberal political economy that advocates for the removal of all protective barriers that may cause restrictions in the flow of goods, services, and capital among countries in the global marketplace. Fair trade programs generally work by setting up direct relationships between small producers in lesser-developed areas, typically in the Global South, and consumers in developed markets, typically in the Global North. Fair trade proposes to enhance the well-being of the less fortunate of the world while eliminating the corruption, exploitation, and aid dependency associated with conventional forms of development. Fair trade is a complement to ethical consumption, a form of consumer activism whereby purchasing decisions are made based on moral or other principled considerations in addition to conventional economic criteria of rational calculation and marginal utility.

KEYWORDS

capitalism; colonialism; consumerism; globalization; movements; sociology of development