Global Fair Trade, an alternative to the liberal market (I)

Autor: Pierre William Johnson

Introduction

Go to part two

International Regulations within the context of the Socio-economy of Solidarity in the era of neo-liberal globalization. Tokyo workshop.

The Cancun mobilization and Fair Trade

Two trends have emerged in the last years, which could place Fair Trade as an alternative to a liberal regulation of international trade, such as the WTO promotes it.

For the first time at the WTO Ministerial in Cancun, developing countries including some called "least advanced countries" have grouped themselves with a clear and firm position on the respect of the principles of negotiations, explicit consensus and the respect of the position of all countries, including the least developed. This position has led to the break-down of the WTO negotiations in Cancun, which could lead either to the end of multilateral negotiations, or to their resuming under new principles and a new framework. However, it is worth noting that governments of the South in the past have tended to bow under the pressure of closed-room negotiations and, even more, follow the liberal ideology which permeates the whole context of WTO negotiations.

Cancun was also a premiere for Fair Trade organisations, as they joined during a WTO ministerial to exchange on their practices, hold a global products Fair and lobby on the negotiators. The Fair Trade Fair, the Sustainable Trade Symposium and the Fair Trade Forum of the Americas gathered dozens of activists and helped establish linkages and build up mobilization within the movement. Other civil society networks were at Cancun, and quite a few presented Fair Trade as an alternative to "WTO trade". This event is a symptom of the growing interest of Fair Trade organisations in multilateral negotiations, which had not attracted their interest much before.

What is this "Fair Trade", and can it be an alternative to "Free Trade" as conceived by WTO and the neo-liberal ideology? I will try to show that, confronting the reality of international trade and power relations, fair trade is not just another liberal approach, but is really part of an alternative approach to neo-liberal globalization, and that it already operates as such, through initiatives that have been around for a few decades.

1. "Trade not Aid" : History and objectives of Fair Trade

Free trade is not free nor fair

Fair Trade initiatives are born as a reaction to the unfairness of conventional international trade, whose
rules and practices continue marginalizing small-scale producers and the populations of Southern nations. Free Trade is an ideology which has a long trend record. First, we know that big companies use land, water and other natural resources as well as workforce without having to pay for its production and reproduction. And consumers are badly informed about the products they consume and their social and environmental consequences. So there is no real "free trade". Second, this ideology assumes that free trade will bring growth, and that growth will bring social progress and environmental protection.

In the real world, the type of trade that exists, which we call "conventional trade" or "mainstream trade" does often increase vulnerability and instability for the poorest groups in developing countries. The case of commodity price is illustrative. Since its liberalization, coffee and cocoa have left thousands of third with prices that don't even pay the work they invest in them, but given billions to transnational corporations such as Nestlé or Procter & Gamble. Even though small-scale producers often have production systems and methods much more respectful of biodiversity and, I would add, socio-economic diversity. We also know that mainstream trade is often destructive of the environment, causing greater poverty and weakening the opportunities of sustainable livelihoods for the poor.

The "rules of the game" and the reality of economic forces make it almost impossible for rural populations to earn the means for their own livelihoods, while continuing to give the services they provide to their countries: food sovereignty, reproduction of ecosystems and landscapes, etc. Commodity and crop prices tend to be unstable and low compared to industrial prices. This and other obstacles also impede the transformation of those products, and the development of an extensive agro-industry in those countries.

**Fair Trade initiatives**

However negative international trade can be in general today, we have to observe that tradeis almost as old as Humanity, and seems to be indispensable to contemporary life. International exchanges have been going on since the Romans traded with China, and vice-versa. We should privilege local economies, but international trade is also necessary to exchange goods and services produced in different countries. Of course, contemporary globalization is of a different nature. What gives it its identity is neo-liberal ideology, and not trade in itself.

Since the 60s, governments of the South and development organisations have claimed to want "Trade not Aid". This was one of their main motto in the 1964 UNCTAD (United Nations Conference on Trade and Development), which then had a much higher profile than today. The South had obtained some regulations on primary goods, but as a movement, Fair Trade went beyond this issue, and set up alternative trade channels.

Fair Trade assumes that trade can reduce poverty and provide sustainable livelihoods to people in the South and in the North if it is fair, that is if it obeys certain principles: direct trade relations between small-scale producers and consumers, long term relations, and fair prices to the producers. The GATT, and later WTO, remained silent on these demands, so civil society networks were set up to give fair prices to producers in World Shops, and later (since the end of the 80's) even in supermarkets through a labelling system. These networks rely on the voluntary commitment of consumers and producers, and are based on the fixation of prices that allow producers to pay their production and living costs, while also giving them a premium, which allows them to engage development actions: training, education, health or
local development.

According to the definition of Fair Trade agreed between the main networks of this movement: "**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.**" Rural producers, artisans as well as farmers, are the main partners of Fair Trade in the South. These practices have established relations between producers and consumers that are based on equity, partnership, trust and shared interest.

They respect precise criteria, and pursue objectives in three complementary directions:

- to obtain fairer conditions for groups of marginalized producers, to change the practices and rules of international trade, by leading campaigns to sensitize consumers and governments on issues related to trade, to educate consumers.

During the last few decades, the Fair Trade movement has enjoyed a sustained development, starting from Northern Europe, but then in other countries. The World Shops and Fair Trade organisations in the North are also a source for campaign and lobbying on issues related to trade and development. World Shop have been doing this for around forty years. In the recent years countries from the South have joined the Fair Trade movement, not only as producers but also as consumers.

**Trading under fair conditions**

The Fair Trade movements set up direct trade relationships between producers in the South and consumers in the North. Prices are set up according to production and living costs, very often by the producers themselves, being accepted by Fair Trade importers / buyers. Fair conditions are not only fair prices, they mean also better access to commercial information for the producers and long term relationships based an confidence. Those are prior conditions for equity. Fair Trade also tries to respond to other necessities of producers, such as credit, by prefinancing, and training, through development projects. A better coordination with "ethical" or "solidarity" finance would be a serious push for producers. Some initiatives are significant, such as Shared Interest, a cooperative lending society dedicated to investing in fair trade.

Fair Trade products are calculated to benefit to around 5 millions families in the South. In Europe, there are around 3000 Fair Trade shops. 18 countries, including 14 in Europe, 3 in North America and Mexico, as well as Japan, have Fair Trade labelling initiatives, mainly in commodity markets such as coffee, cocoa or tea, supporting hundred of thousands of farmers in the South.

**Consumer education**

Campaigns have been set up to sensitize citizens and consumers. The "Clean Clothes" campaign is a good example of a coordination between organisations in several countries (Europe) has given efficiency and
created impact on consumers and governments. Slowly, citizens in the North realize what is being the products they consume. The Fair Trade movement also informs directly in world shops and other outlets. In some countries it works with school, or with parishes.

Countries from the South should be concerned also by this issue. In India, Brasil and other countries, civil society resists GMOs and there is a significant movement towards organic farming. National Fair Trade initiatives are being set up in Mexico, Brazil, and other countries.

**Political pressure**

The Fair Trade has been lobbying governments and regional bodies through broad coordination. The European Fair Trade Association has an advocacy body in Brussels. The International Federation of Alternative Trade also has an advocacy structure, and was vocal before and after Cancun. Political pressure also starts at local level. Pressuring for responsible public procurement is a good way to express the political content of Fair Trade and citizen - consumer responsibility. The first results of this political pressure can be seen in statements and practices adopted by certain city councils (Newcastle, E) and parliaments. The European Commission adopted a communication of Fair Trade in a communication in 1999, and it is mentioned within the Cotonou agreements, which are the framework for the relations between Europe and countries from Africa, Pacific and the Caribbean.

**2. The principles of Fair Trade as a start for alternative regulations**

It is well known that the WTO views all trade as beneficial. But in the absence of social and environmental rules framing trade, world trade can continue to impact negatively on societies and the environment worldwide.

**Fair Trade principles**

Fair Trade organisations follow a set of principles, that are internationally agreed within the movement, and that can make trade benefit to the development of small-scale producers in the South:

1. Fair Trade aims at creating opportunities for small-scale producers.

Though often initially economically disadvantaged, these producers have shown, through fair trade practices, that they can deliver quality products, respecting social and environmental rights. Small-scale farmers organized in cooperatives often have more ecological modes of production, refucing to use pesticides and chemical fertilizer. Fair Trade minimum prices and premium allow for community development.

2. Fair Trade refuses all types of discrimination (gender, race or handicapped based for instance).

It seeks equal opportunities for all producers. It thus helps to "level the playing ground" of trade, despite the disadvantages that small-scale producers face.

3. Relationships between trading partners based on fixed conditions (contract).
These relationships guarantee a fair price to the producers, i.e. a price which takes into account production and living costs, and not just the market. This principles has led to the definition of minimum international prices in the Fair Trade movement for a set of commodities: coffee, cocoa, tea, honey, banana, etc. For other products, including handicrafts, the producers are encouraged to calculate their costs and fix the prices for their products:

In return they engage themselves to deliver quality products. In some cases, this commitment goes so far as to include organic modes of production (case of the norm for coffee in the Mexican Fair Trade market). But, as certifying costs for organic are high, there is a more general commitment to the protection of the environment and the quality of the products.

Producers can also benefit from pre-financing when they need it. Small-scale producers are often marginalized and lack working capital. This is why this condition might be crucial to their capacity to produce and trade. In many cases the level of possible pre-financing has been set up by the Fair Trade movement to 60%.

4. Relationships between trade partners should be as direct as possible, and long-term based.

Intermediaries have often eaten up the margins of small-scale producers. Going around them requires building capacity for the producers in a variety of areas, including depending on the cases: transportation, market information, design, etc.

Long term relationships allow for the producers to build those capacities through regular trading. It means that the relationship between partners is not merely opportunistic or speculative, and that trust and understanding can be build over time.

5. Transparency and accountability

Relationships between trade partners should be based on transparency and accountability. Transparency means that the right of the consumer to know what working conditions, income, production process and price breakdown (who earns how much down the supply chain) are involved in the trade of a particular product is a leverage for trade to work for sustainable development. For the same reasons trade partners, including distributors and certificating agencies when applicable, should be accountable. Accountability is necessary in order to guarantee the respect of Fair Trade criteria.

6. Respect for the environment.

Methods of production should respect the environment, guaranteeing the ecological sustainability of production. Many fair trade farmers have ecological farming methods, be they certified organic or not. The synergy between fair trade and organic agriculture is obvious. The respect for the environment is also required for all other fair trade products, though it doesn't always translate itself into precise criteria.

However, we have to notice that the impact on the environment of transportation in the trade of goods is an issue that hasn't been tackled with enough attention not only by the Fair Trade movement, but also by the international communities in general. We suggest to set up principles in this area.
A debate - Participating to or transforming the global economy?

While following the same principles, the Fair Trade movement seems divided in the definition of its priorities. Do Fair Trade practices aim only at inserting small producers in the global economy, or are they also a leverage force for the transformation of the rules of the global economy itself? One part of the movement insists on market access for products from the South, mainly tropical primary products, without trying to influence public or multilateral policies. Others. Another part of the movement sets as a priority the transformation of existing regulations, and is active in campaigning, lobbying and information to the consumers.

According to Peter Rosset director of the organisation Food First, 90% of the food produced worldwide is consumed domestically. The current of the Fair Trade movement which only insists on commodity markets for the North propose a model that can only be valid at most for only 10% of the world farmers. Moreover, it does not address the possible contradictions between the development of markets for commodities and the need for staple crop production at fair prices in order to insure food security at local and national level. This issue evidences that Fair Trade should also refer to local and domestic markets, not only as North - South chains, without shying away from the fact that prices of all crops are dominated by international markets.

If we assume that the objectives of Fair Trade is not only to gain market access for a number of producers from the South, but also to transform the global economy, this shows that the Fair Trade movement has a political role to play, and should define strategies and look for alliances with other networks of the growing movement seeking for alternatives to liberal globalization, as well as with local or national governments.