

Bridging the Gap: Substituting the neo-colonial practices in the South with Fair Trade

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ABSTRACT: The main argument of the following article is that the neo-colonial nature of international relations between the North and the South contributes to delayed or sometimes even reversed progress in the process of human development everywhere in the world and especially in the so-called South.

Whether the conduct of Fair Trade movement measures up to expanding human freedoms, or is it merely one of the most inconspicuous and sophisticated tools of neo-colonial oppression is what the author's research. Sen's criteria for human development and Brundtland's definition of sustainable development are taken as ones that the Fair Trade movement should fulfil in order to label it as a means to bridge the infamous North-South gap. Only as such the Fair Trade movement can substitute the neo-colonialism.

Introduction

The following article examines the role of the Fair Trade movement in the context of global human development process, namely in the effects it may have on bridging the gap between the so-called North and South. Does Fair Trade expand human freedom and offers an alternative to the world where free trade dominates, or is it just a part of it?

The first section of the article presents the definitions of sustainable and human development, the second their relation to the North-South question, the third the definition of Fair Trade, the fourth its limitations, the following section the relation to free trade, and the final is the verification of the effects of Fair Trade meeting the definition of human developing.

The underlying assumption of the authors is that development can not and should not be considered merely as an economic category, but should also include various individual, social, cultural and environmental aspects. Economic growth and

development should be considered merely as tools for expanding human capabilities and freedoms and not as an end by itself. As Aristotle would have it in his *Nicomachean Ethics*: “*The life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else.*” Therefore the tools for bridging the North-South gap can be from the sphere of economics, but must bear in mind broader social aspects.

When dividing the world into North and South, the borders tend to be drawn not on the geographic but on the economic and/or political criteria: level of GDP per capita, share of debt in the budget, level and type of exports, stability of government and its democracy etc. In this article, the terms are used in the primarily economic sense, where North stands for the developed countries which are identified as members of the EU, the G-8, etc., and South for the states that are still significantly dependent on their export of raw materials and agricultural products, heavily indebted and facing very unfavourable terms of trade. Social conditions in many states are closely related to the economic situation, therefore the South can also be seen as the one with lower education levels, greater inequality, poverty, hunger, etc. Obviously, no clear line can be drawn between the states, and we must bear in mind that while defining these two primarily in economic and social terms, there is a South also within a North state and *vice versa*.

In this sense, the authors accept the mentioned division as a workable term. It is not to be understood as a term used for grading and qualifying states, but as one that describes their general economic situation. Therefore, we depart from the idea that since the division is mainly understood in economic terms which have also social correlates, the division among North and South is the one that is related to Sen’s understanding of human development.

Fair Trade is a movement, representing alternative approach to conventional international trade. It is trying to promote sustainable development by providing better trading conditions, raising awareness and campaigning for the promotion of trade based on economic justice. The principles that it is based upon, include: fair wages for the producers, a partnership based on dialogue, transparency and respect, supporting cooperative workplaces, consumer education, encouraging environmental sustainability, providing financial and technical support, respecting cultural identity and promoting human rights. All this is intended to improve both the economic and social position of disadvantaged producers in the South. Now let us take a closer look.

Defining development

Sustainable development – Brundtland report

The most common definition of sustainable development is that of the World Commission on Environment and Development (WCED), which in 1987 presented a report called 'Our Common Future'. WCED (1987: 43) defined sustainable development as meeting

“the needs of the present without compromising the ability of future generations to meet their own needs. /.../ Development involves a progressive transformation of economy and society. A development path that is sustainable in a physical sense could theoretically be pursued even in a rigid social and political setting. But physical sustainability cannot be secured unless development policies pay attention to such considerations as changes in access to resources and in the distribution of costs and benefits. Even the narrow notion of physical sustainability implies a concern for social equity between generations, a concern that must logically be extended to equity with each generation.”

Human development

“Human development is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests. People are the real wealth of nations. Development is thus about expanding the choices people have to lead lives that they value. And it is thus about much more than economic growth, which is only a means – if a very important one – of enlarging people’s choices.”

(UNDP 2004)

Sen (1999: 3) argues that development can be seen as a process of expanding the real freedoms that people enjoy. In order to achieve that development requires the removal of sources of unfreedom, such as poverty, tyranny, social deprivation, intolerance, repression etc. The assessment of development is therefore to be measured according to the effectiveness of removing the sources of unfreedom and expanding opportunities. The relevance of the opportunity to exercise basic civil or human rights and freedoms therefore has to be regarded both as a means and an end in the development process and should not be measured only against the effect it has on the economic growth. The means and ends in the development process are often turned upside down. The idea of developing the industry first and worrying about the people later has held its primacy for a too long time.

In order to be able to assess the role that freedom plays in the development process, one has to distinguish between what Sen (1999: 37 – 40) calls *intrinsic* importance of human freedoms as the objective of development and the *instrumental* effectiveness of different kinds of freedom to promote human freedom. He

examines five different types of instrumental freedoms: (1) political freedoms, (2) economic facilities, (3) social opportunities, (4) transparency guarantees and (5) protective security.

Political freedoms, which include also civil rights, refer to the opportunities people have to determine who should govern and on what principles, the possibility of scrutiny and critique of the authorities, freedom of expression and uncensored press and so on (Sen 1999: 38). However as Fair Trade can do little to empower the people in relation to their government, except providing them through better income and long-term relationship with necessary means for improved access to education, legal advice and a higher level of self-esteem, we shall try to examine what role do producers from developing countries have in decision making process within Fair Trade.

Concerning the issue of economic facilities, “or opportunities that individuals respectively enjoy to utilize economic resources for the purpose of consumption, or production, or exchange” (Sen; 1999: 39), an emphasis is made on the distribution of income and wealth. Rising national gross product does not necessarily affect raising living standards of the people (especially the poor) nor does it contribute to greater economic equity with the society.

According to Sen (*ibid.*), social opportunities “refer to the arrangements that society makes for education, health care and so on, which influence the individual’s substantive freedom to live better.” Not only are these opportunities important *per se*, they also represent a fundament for the exercise of many other rights. Illiteracy and poor education still pose some of the greatest barriers to equal participation in economic, political, cultural and social activities. Public education and health care systems are not to be taken for granted in every corner of the world.

Transparency guarantees are essential in preventing exploitation and corruption. Fair Trade is building its image on the highest commitment to transparency and striving toward establishing long lasting relationships that are built on trust and respect. However, it is necessary to keep a close eye on the *fairness* of Fair Trade and to take a look behind the declaratory transparency.

As no system is perfect, protective security is needed to provide a safety net, for those people, who are unable to benefit from the opportunities at hand for various reasons. Fair Trade can be seen as a network of protective security itself, since it helps producers in the South to cope with the effects of free trade and globalization, by guaranteeing a minimum price for a specific product and adding a social premium to that price in order to create social opportunities.

Combining sustainable and human development

Mentioned above are two important additions to the classical term of ‘development’. They are sustainable development and human development. The real challenge of today is to combine these two concepts of development and to make them both work for each other. As Anand and Sen (1994: 102) already pointed out in their essay on sustainable development, the enforcement of human development in the modern world has to be linked with protection of its fruits for the future.

So what is the role of Fair Trade in combining those two issues? Is it a means that may help overcome the seemingly incompatible human development with environmentally sustainable practices? Or is it not in fact counterproductive, as it supports consumption of already limited resources, uses transport means (airplanes) that pose a serious risk to the environment in order to transfer goods (especially food) across vast distances and enforces certain ‘western’ standards on its southern partners?

North-South divide as a human development issue

Neo-colonialism and freedom

According to Robertson (2002) neo-colonialism is “the argument that the conditions of poor countries are often no better, and their peoples no freer, than when they were actually governed by the European colonial powers in the period up to the mid-20th century.” Although this claim refers principally to people as an aggregate group, a nation or an ethnical group, we wish to expand that definition also to people as individuals, as persons. On the issue of importance of the individual in the development process Anand and Sen (1994: 102) clearly expressed their view: “People must be regarded as persons, capable of reasonable consideration and reasonable decisions, and not to be treated as breeding livestock that needs to be guided against its will on a bureaucratically prescribed way.”

The main argument of the following article is that the neo-colonial nature of international relations between the North and the South contributes to delayed or sometimes even reversed progress in the process of human development everywhere in the world and especially in the developing and the least developed countries. Freedom is by definition incompatible with domination and colonial attitudes, yet – as demonstrated by Sen (1999) – it is essential to human development, both as a means and as an end. Whether the conduct of Fair Trade movement measures up to expanding human freedoms, or is it merely one of the most inconspicuous and sophisticated tools of neo-colonial oppression is what we shall try to find out.

Defining Fair Trade

“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 rights of, marginalized producers and workers – especially in the South.”

Such is the FINE¹ definition (Bowen; 2001: 24) of Fair Trade. It would seem that the definition itself provides some answers to the question above, however, history has insofar taught us that theory often has little to do with reality, especially when it comes to development economics.

Some of the terms used in the definition attract special attention as they each represent the key and interlinked issues around which the Fair Trade debate is evolving. They are: trading partnership, transparency, equity and sustainable development, and concern for human rights.

The core idea of Fair Trade is linking the first and the final participants in the production process together and thus creating a stable and long-term partnership based on mutual respect between the Northern conscious consumers, importers, labelling organizations and Fair Trade shops and the producers or growers in the South. This kind of partnership also enables the process to be more transparent, since all the middlemen and speculators are eliminated. Fair Trade also enables a more equitable distribution of the gains from trade between the two partners, by increasing “the income and choice of poor producer groups” (Bowen; 2001: 25).

Through all these, the Fair Trade affects political choices and policies. This can be seen in the education and self-reliance that is empowering individuals as well as in the acts of others. According to Oxfam (2002: 167), in 1999 the farmers in Latin America received double the prevailing market prices, thanks to the lobbying of TransFair USA.

Furthermore, Fair Trade provides a safety net to its producers. Through long-term partnership, it assures them technical and financial support, which is vital in the process of adaptation to changing trends or bad season (Fair Trade Federation; 2002).

Nevertheless, sustainable development is the key; this means that the producers in the South must follow economically, environmentally and socially sustainable practices (fair price, organic production, use of organic pesti-

¹ FINE is an informal umbrella network of four other Fair Trade networks:
FLO – I: Fairtrade Labelling Organisation International
IFAT: International Federation for Alternative Trade
NEWS!: Network of European World Shops

cides, promoting education and stimulating the development of the community as a whole).

The question whether sustainable development is at all possible within the network of current exploitative patterns of consumer society is indeed a pressing one. Terrifying lavishness with which humanity exploits already scarce natural resources, piling up of toxic waste, greenhouse gas emissions and above all the insane greed and demand for always 'new and improved' wonders of modern technology and science are leading the peasants of our global village slowly, but surely on the road of no return. For the first time in history mankind actually possesses the means necessary for its own destruction. As usual, the burdens and benefits are not spread evenly.²

How can Fair Trade contribute to sustainable development beyond pure commitment to the cause? Essentially, there are two ways: through awareness raising activities and through concrete action. A good example of such an awareness raising activity is the Belgian "*Ça passe par moi*" campaign, a joint project of Oxfam – Magasins du Monde, Max Havelaar and other partners. The motto of the campaign has been: "Consume less, but consume better!"³ The goal of the campaign is to stimulate 30.000 people to take concrete measures towards sustainable development in four specific domains: equitable trade, solidary economy, organic agriculture and eco-consumption (Blaise; 2005: 7). But besides telling other people what to do, Fair Trade organisations have also been actively supporting Southern producers, who wished to convert to organic production of their crops, whether they be tea (Box 1), coffee, cocoa, cotton, or something else.

² Out of approximately 400 million tonnes of toxic waste that are produced around the world, the developed countries account for more than 90 %. Some 40 million tonnes are estimated to be transferred each year to developing countries for a handful of dollars (Komat; 1997: 88).

³ For further information see: www.madeindignity.be

Box 1: Organic tea production and Fair Trade

The demand for organic tea has been growing steadily among Fair Trade consumers and the farmers and workers in tea gardens have responded to that demand by converting more and more tea gardens to organic production. The first attempt at organic tea production was undertaken by Gepa, a German Fair Trade organization and Stassen, its trading partner from Sri Lanka. With support of Naturland, a German Bio-Certifying organisation, they began the conversion of seven tea gardens. They switched from chemical fertilizer to compost and shelter belts of trees and bushes have been planted to protect the bushes from heat and to reduce the soil erosion by caused by heavy rains. Besides protecting the health of tea workers, their families and customers, organic production also created additional jobs. Stassen Bio Tea Project employs 50 % more workers than an ordinary plantation of the same size.

Perhaps an even larger success story has been the Tea Promoters India (TPI) project in Darjeeling. In 1990 TPI rented a seriously neglected plantation from the Indian government. The workers themselves had survived by planting food crops and selling handrolled tea, thus becoming a strong tea garden community. The idea to try something new – combining organic tea production with social development, came from Brij Mohan, chief executive of TPI. The neglected plantation was ideal for organic production, since no chemicals have been used for several years and social development, especially schooling for children, was badly needed. In the absence of owner or manager, the workers had established a 'management committee'. Together with new TPI management they discussed what needed to be done. Today the workers have their own community hall, a library and a new school open not to workers' children, but also to children from surrounding villages. Besides the social benefits for the workers, many new tea bushes have been planted and 20.000 other trees for firewood and soil conservation. A biogas plant is being built. The tea processing and packing factory has provided employment for twenty-four women. It took less than ten years to transform a neglected tea plantation into a viable, sustainable and constantly developing community. (Stamp; 2001: 75 – 78)

Where are the limits of Fair Trade?

Since Fair Trade includes both trading partners from the North and producers in the South it has to operate under the rules that govern international trade. Regardless of the fact that in the North the members of Fair Trade organisations are

mostly unpaid volunteers⁴, who are not motivated by profit seeking, Fair Trade is in its core business as every other, and has to operate with the legal framework set out by countries and international organizations. What this means is that smallholder producers that cooperate with Northern Fair Trade partners face the same import tariffs and other restrictions to trade as any other foreign producer. Although Fair Trade guarantees the producers a fair price for the product that covers all the production costs and enables the producer a decent way of living, its scope of assistance is limited by the rules of international trade.

Subsidies to the North

Some particularities in the global market are particularly damaging both – Fair Trade and of course, Southern producers in general. Among these are: extremely high agricultural subsidies to the Northern farmers (especially in the EU), high import restrictions on a small a number of commodities that are of greatest importance to the Southern exporters and escalating tariffs that rise with the level of processing of commodities. According to Oxfam (2002: 102) manufactured food products in the EU and Japan are subject to tariffs twice as high as for products in the first stage of processing and in Canada the tariffs on processed food are thirteen times higher. Returning to the issue of subsidies, in 2000 the Northern countries gave out 245 billion dollars in subsidies to their farmers, which is approximately five times what they gave out in aid to the developing countries. The situation in the global food market is therefore one of mixed blessings and curses.

A double blessing for the subsidised large farmers in the North, who receive 1 billion dollar a day in subsidies (Oxfam; 2002: 11), who enjoy not only the benefit of subsidies for both production and export, but also the protection from imports, and a double curse for smallholder farmers in the South, who are not only unable to compete in the Northern markets due to high and escalating import tariffs and global prices, which are below production costs, they also have to face competition on their local markets from subsidized Northern exports. Although Fair Trade may provide farmers from the South with an access to Northern markets on reasonable terms, it can not in itself adjust world prices and protect the Southern markets from the invasion of cheap Northern exports. That is why Fair Trade organizations make constant appeals both to the public and to the officials for a change that would involve abolition of subsidies and granting free access to Northern markets for Southern producers.

Protective trade barriers

⁴ In 2001 there were approximately 1.250 paid employees and 100.000 volunteers working in various European Fair Trade organizations (source EFTA).

Further on, there are other non-tariff barriers that should be taken into account. Besides the quantitative restrictions (e. g. import quotas), they also include product standards⁵ (health and safety standards set by a state), that often have a protectionist effect, and consumer boycotts (Oxfam; 2002: 103). While Fair Trade movement fights against restrictions in international trade, the other two barriers are again ambiguous.

Fair Trade movement, namely, is based on certain product standards (fair price, organic production etc.), yet these standards are not the same as those set by states. So again, the product standards that the states apply can be a barrier, since meeting them is usually not cheap and can cause some difficulties even to some exporters from industrialized countries (Oxfam; 2002: 104).

Campaigning

Consumer boycotts can have truly negative consequences for the trade of the developing countries (Oxfam; 2002: 103), yet this is in a way the other side of the coin that the Fair Trade movement uses through campaigning. Buying Fair Trade products implies that the consumer stops buying previous, non-fair-trade commodity – therefore it is a sort of a boycott.

The campaigning is a very important part of the Fair Trade movement, mainly for two reasons. First, virtually all Fair Trade organizations (Oxfam, Fair Trade Foundation, CTM, EZA etc.) carry out some sort of campaigning activities, whether on a joint or individual basis. These may include lectures on global economy and Fair Trade, awareness raising campaigns among consumers, lobbying at appropriate international and/or trans-national (European commission, UNCTAD, TNCs, WTO etc.) and national institutions (parliaments, municipalities...), participation at various public events, development education and so forth.

Codes of conduct

Ethics, codes of conduct, labels is not to be associated just to Fair Trade, but also wider. Codes of conduct are the ways a company or a producer is supposed to manufacture or provide its product. They were established by the pressure of the consumers (e. g. campaign against leather by PETA (Oxfam; 2002: 103) and today either represent TNCs policy (Kamm; 2004) or are used by TNCs at labeling their products (some major traders, e. g. Nestle (Oxfam; 2002: 167) attempt to paint themselves as fair-traders).

However, they do not bring only the intended positive results. Negative effects of establishing codes of conduct can be illustrated by prohibiting child labour: it increases poverty and famine among children, forcing them into crime and star-

⁵ More about standards in Codes of Conduct.

vation. Another example is from the environment standards. The SA 8000 is a voluntary standard, created in 1997 by the former Council on Economic Priorities Accreditation Agency (CEPAA), known today as Social Accountability International (SAI)⁶. The standard is considered to be the 'ethical' equivalent of the ISO 9000 quality and ISO 14000 environmental standards (Porot; 2001: 52). However, according to Zeegers (quoted in Porot; 2001: 53) corporations sometimes abuse the standard against the workers, whom it was supposed to protect (Box 2).

Box 2: SA 8000 standard in China

By October 2000, 61 production sites had been SA 8000 certified and monitored every six months. Two sites have been withdrawn from the list of certified facilities following inspections triggered by complaints. But according to evidence collected in China by the HKCIC – Hong Kong Christian Industrial Committee – a lot of workers think that it is a series of rules they have to comply with; some sanction mechanism rather than something aimed at protecting them. Workers sometimes think that SA 8000 deals with health; in other cases, the management explained to workers that, from then on, they had to do in 8 hours what they did before in 12 hours and that if they didn't achieve that, their wages would be reduced.

Zeegers in Porot; 2001: 53

This case demonstrates that corporate responsibility and social accountability are still terms that are somewhat want of meaning. What can Fair Trade do in this view? Is accepting only trustable partners and verifying their conduct enough?

Another point (Porot; 2001: 53) is that small companies often can not afford to comply with certain standards as they do not have appropriate financial and administrative capacities to provide necessary documentation. Which means that they could suffer from bad image against large companies who can afford the procedure, though they may be in fact less willing to comply with the standards. All of these standards are self-imposed, voluntary. This is perhaps also the answer to the question of enforcing them. If compliance with standards and codes of conduct is obligatory for all companies, then there shall be no more negative effects or at least they will be reduced in size and form.

Other difficulties

⁶ SAI is a US based international organisation, made up mostly of business people, with a few representatives of human rights associations, trade union groups and academics (Porot; 2001: 52).

Second, and perhaps more important, the simple truth remains that all the effort that has been put into the concrete work of the Fair Trade movement: establishing trading relations, organization of supply networks, improving relations with partners in the South and costumers in the North, support and assistance dedicated to development projects in the producers' communities, is bound to relatively limited effectiveness on the global scale, if trading part of the movement is not complemented by appropriate measures taken by the consumers, governments and TNCs.

Here lies another limit: Fair Trade may not convince the necessary amount of customers and consequently effect also the governments and TNCs. The critics say that the movement is "preaching to the converted" (Deconinck; 2004). However, for the time being, Fair Trade and related movements have been successful in exercising this influence especially⁷ on the consumers (Kamm; 2004).

Last but not least, Oxfam (2002: 167) recognizes also the smallness of Fair Trade market as one of the limits. Fair trade has not fundamentally changed world markets, even in its core beverage sectors, where less than one per cent of total tea, coffee and cocoa sales are carried out on a fair trade basis.

Fair trade versus the neoclassical economic theory of free trade

Though not favourable to the neoclassical approach to the economy *per se*, Fair Trade is often working as a necessary corrective to help (re)establish some of the key principles that underlie neoclassical economics theory: perfect competition, perfectly informed consumer, free access to market and establishing prices on the basis of supply and demand. This may not always be obvious at the first glance, especially since the Fair Trade movement has in many ways an image of a fighter against global capitalism. In the following part we shall try to demonstrate, however that the above mentioned claims are true and that Fair Trade represents more of a reform than a revolution in global economics.

Competition

Potentially the most important and at the same time the most dubious assumption of neoclassical economic theory is that producers work in the environment of perfect competition. Now, in some cases, especially in the case of food and other primary commodities, the markets do not by themselves offer a beneficial environment for competition – they are in fact dominated by a handful of TNCs who claim the lion's share of the market. The sheer size of such companies and their distributional networks enables them to set the rules of the game. To illustrate: Wal Mart, Ford and General Motors have a larger turnover than the combined GNP of Africa (Oxfam; 2002: 43). Fair Trade raises the number of competitors,

⁷ More in the Codes of conduct.

since it allows small farmers and their cooperatives to participate on a market that was otherwise out of their reach (Oxfam; 2002: 166).

If competition is based on the consumer's choice among various products, then Fair Trade indeed is a part of free trade. Its labels offer another way of diversifying the product. The brand primarily underlines the ethics of production, but not on the cost of its quality. Furthermore, the Fair Trade tends to inform the consumer about the product's manufacture and the consequences of the purchase. Hereby Fair Trade brings reality closer to another assumption related to perfect competition: an informed consumer.

Power of the consumer

In many ways the most important aspect of Fair Trade is its commitment to raising public awareness and informing the consumers about the origin of the products, the way in which they were manufactured, the living conditions of the producers and the impact of production on the environment and society. Recalling the famous Karl Marx's summon: "Proletarians of the world – unite!" and recognizing the power of solidarity and joint action, it may be said that Fair Trade movement is today emitting a modified version of that slogan, namely: "Consumers of the world – unite!" The situation, however, is not as simple as it sounds and requires some further elaboration.

First of all, it should be noted that this appeal is in reality far less universal in its nature than its predecessor. As already mentioned above, Fair Trade movement is for the time being very much limited in its scope as it is directed primarily towards northern consumers and the experiences of the past forty years have shown that even in the North a very small share of consumers are aware of Fair Trade or are frequent buyers of Fair Trade products. In many countries (especially European) there is not a single Fair Trade organisation working in the area. This is likely to change with ongoing European integration process and the increasing exchange of people and ideas; however a more persistent problem is the weak buying power of many northern consumers. Poverty is not a term that applies only to the South – it is a universal fact. And the gap between the rich and the poor is not widening only between, but also within states. This means that Fair Trade products are bought only by those people, who are willing and who can afford to buy them. Let us elaborate a bit on the willingness of the consumers.

To say that there exists a sense of global solidarity among consumers and producers of the world would be at least an overstatement, if not a downright lie. There is, however, substantial evidence for the claim that a very small group of consumers is becoming increasingly aware of the consequences their purchases make and of the devastating effects of consumer society on cultural, social (even biological) diversity, the global distribution of wealth and negative impacts on the environment. Such consumers are the strongest allies of Fair Trade move-

ment. Not only do they buy Fair Trade products, thus contributing directly to the Fair Trade cause, they also put pressure on other companies (TNCs in particular) to establish working practices that respect the rights of workers and are environmentally more sustainable.

The effect that pressure from consumers has had on some of the largest TNCs is not negligible. The world's largest garment company Levi's had withdrawn production contracts with China and Burma due to human rights violations. When Levi's discovered one of its Bangladeshi contractors employing child labour, it offered education to these children, instead of throwing them on the street (Ransom; 2001: 104-105). It should also be noted that this form of pressure has both its explicit and implicit form. Consumers may overtly express their dissent against some company's policy and boycott certain products, but on the other hand they also send out a strong demand signal that is becoming less and less overlooked by the marketing experts of large companies. In order to satisfy growing demand for Fair Trade products many TNCs are now selling Fair Trade products.

For instance, Starbucks – the famous US coffee chain is now paying *Fair* price for all its coffee. In 2003, they paid their farmers an average of \$1.20 per pound, which was approximately twice as high as the market price (Starbucks; 2004). They sell certified Fair Trade Coffee as well as 'regular' coffee. According to Starbucks (Gresser and Trickell; 2002: 40) the reason for establishing relations with farmers, who met new social and environmental guidelines, has been providing for the necessary high quality of their coffee products (Box 3).

Box 3: Coffee production and Fair Trade

Coffee has been the fastest-expanding fairly traded product – it is an ideal fair-trade product, since it needs no additives and the processing is rather simple. Due to small farmers, who own their land and work in cooperatives, the proportion of production is rising.

In Peru, the growers who produce also fair trade assure that the coffee produced is of the best quality. Pablo Cahuana Flores of the San Ignacio Cooperative explains (Ransom; 2001: 43-44) »We also produce coffee here for the *comercio alternativo*, for fair trade. We are careful to select only the best cherries for them, the ones that are perfectly ripe. It is a risk for us. There is only one day when they are perfect. If it rains on that day then they fall from the bushes and are lost.«

Market Access

As mentioned before, it is very hard for the Southern producers to enter foreign commodity markets by themselves, thus a long chain of production is formed, depriving the producers of their profit. Furthermore, Southern producers face trade restrictions in the North such as protective tariffs (such as the 34 % import tariff on processed chocolate exported to the EU by Ghana)⁸, non-tariff barriers and import quotas, and various environmental or health standards, that do not contribute to the development process. The new protectionism does not fit neither into the Free Trade theory nor to the Fair Trade concept. If free access to markets existed, than there would probably be one less reason for needing a reform. Better access to foreign markets would mean an increase in export earnings and thus a resource for continuing the development process successfully.

World prices – who pays the difference?

The world price is not set in accordance with the principles of free trade. We shall take coffee as an example. The price of coffee beans is determined on London and New York commodity markets. Although the demand for coffee is steadily rising, the prices have been experiencing a long-term decline (Ransom; 2001: 48). The already low price of coffee determines how the profits are divided (Ransom; 2001: 48). In the producing chain this means that the retailers (supermarkets) account for 25 % of the price, the shippers and roasters (such as Nestle) get the biggest share – around 55 %, and are followed by the exporters (middlemen) who take another 10 %. The final and most important partner in the producing chain – the growers or producers are left with merely 10 % of the coffee price. Fair Trade guarantees to the producers a fair price, a minimum guaranteed price (usually twice as high as the market price), which enables them to make a decent living. Moreover, the social premium is added to the price, which usually goes to organizations for collective projects or trust funds in order to make investments in production, infrastructure, education or health services in the community.

⁸ On the other hand, cocoa beans are not subdued to tariff restrictions (Ransom; 2001: 97).

Conclusion: Meeting human development with Fair Trade?

In the time of rapid globalization, deteriorating terms of trade for the South, new protectionism in the North and everlasting attempts to bring about (sustainable) development, we believe that Fair Trade is rather a blessing. It is not aimed at increasing the GDP or expanding the economic growth of a country, rather it is oriented toward individuals. If we look again at the five freedoms or human development criteria proposed by Sen we can conclude the following:

Fair Trade promotes and enables the workers to exercise political freedom – in the sense that they are involved in the process from the start, they are independent owners of the land – individually or as a cooperative, they are free from coercion, they have the right to form trade unions and negotiate through it. In this way the producers can effectively exercise the control over their work and lives. As far as the economic facilities are concerned, Fair Trade is aimed at ensuring fair wages to the producers, offering them an extra amount of money for realizing community projects, and last enabling a decent living and standard to them. Social opportunities are also stimulated by Fair Trade movements and organizations. The social premium or the price premium (usually around 20 % of the guaranteed price) enables the community as a whole to develop – through improving health facilities, promoting education and building schools or youth centres, investing in the infrastructure or in the production itself (introducing the so called green or organic production). Transparency guarantees are possible due to the nature of the partnership. Minimizing the producing chain means a fairer profit for the producer, a product of high quality for the consumer and mutual respect between both parties. Of course, this is possible due to a high degree of a sense of moral obligation and responsibility one side shares with the other. To continue, Fair Trade guarantees some degree of protective security, by ensuring decent working conditions, banning child labour, promoting environmental sustainability (organic production), guaranteeing a minimum price for the producers and paying the producers a social premium for collective projects.

If freedoms, as proposed at the beginning of this article, present the criteria for sustainable or human development, we may conclude that Fair Trade promotes and encourages economic, political and social freedoms and human rights. However, as brilliant as the new concept of trade and development may be, for now it lacks wide world support from individual, national and international level. Consumer support, awareness raising campaigns, NGOs' activities and projects of the governments⁹ are the core instruments of Fair Trade. Still these instruments are only now evolving.

⁹ Following an environmental disaster in Azua, Dominican Republic, a community of 250 families started to burn down the forrest to sell charocal. They

To sum up the relationships of Fair Trade with free trade, the global economy and development, we quote David Ransom (2001: 28) “Fair Trade is not a niche that can survive in isolation. It cannot get very far without confronting current economic orthodoxy. If it begins to work than it does so not so much because it’s a good idea, but because it impacts directly on poverty and inequality./.../ Fair Trade has to learn how to flourish in a hostile world (Ransom; 2000: 70).”

Resources

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turned to the Government for help and it builed an entire village for the community. The community also recieved fertile land, where the cooperative Finca 6 started to grow organic bananas

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