

## Info sheet 2013: Debates on fair trade



Consumers are becoming more and more interested in knowing how fair trade systems really work, and are understandably beginning to ask some difficult questions. This is only a brief introduction to more detailed work taking place in relation to our Fair Trade Academic Network.

While there remains plenty of research and development of best practice to be done in terms of making trade fairer, criticisms outlined below should not deter consumers from choosing a fair trade labelled product over a non-fair trade one. Products not linked to fair trade systems, in particular when issued from global supply chains, are much more likely to have involved exploitation of workers in their production and processing.

*This info sheet aims to provide students and staff with an overview of some of the current debates taking place among consumers, practitioners and academics.*

### Fair trade versus free trade

There are arguments that fair trade interferes with free market systems by fixing prices above market values. Yet others argue that true free markets do not exist, as unequal access to information between trading parties allows some to exploit others. In fact this criticism of fair trade, like many others, relates more to the Fairtrade system (Fairtrade International's approach) rather than to fair trade approaches in general. While Fairtrade do fix regional prices for commodities, other fair trade buyers negotiate with producers to achieve what they deem to be a fair price (for example for handicraft products).

For many commodities covered by fair trade systems, fair trade advocates would argue that free markets are not in place since Western countries often subsidise their own production of goods, and use import tariffs to block imports from developing countries, leaving disadvantaged farmers and processors from developing countries unable to compete on price. The US is widely criticised for its subsidies for cotton farmers, which keep global prices artificially low. Those calling for free trade rather than fair trade are often in support of these mechanisms that distort markets, rather than truly free global trade.

## 100% fair trade versus labels in supermarkets

There has recently been a backlash against the Fairtrade system by those who consider the original fair trade principles to have been watered down. Some companies now use the term 100% fair trade (e.g. Equal Exchange, Divine Chocolate) to indicate that they ensure 100% of ingredients that can be fair trade in their product ranges are fair trade. The Fairtrade system now allows 'mass balance' – allowing a company to label say 20 per cent of its chocolate bars as containing Fairtrade cocoa if they bought 20 per cent of their cocoa from Fairtrade sources – which bars contain the Fairtrade cocoa is not traceable. Critics argue that traceability is important, but the Fairtrade Foundation counter-argue that fair trade has to find new ways to achieve scale. Working with large global firms, and finding new solutions such as this to include fair trade products in their existing manufacturing processes, is a strategy to allow more producers around the world to become Fairtrade producers due to an increasing demand.

Fairtrade are also criticised for allowing large supermarket chains, and global brands such as Nestlé – widely boycotted for many decades over unethical practices such as promoting powdered baby milk in areas where clean water to mix the milk is not available, to market some of their products as Fairtrade. Again the debate is about whether fair trade should remain within its own alternative marketing channels, only to be sold by companies that are 100% committed to fair trade in all of their activities, or whether transnational companies, which may be found to be using exploitative or unethical practices in some parts of their business, should be able to use fair trade labels for sticking to fair trade principles in only some of their product lines. The debate continues – strong ethical values in niche markets, or mainstreaming fair trade where possible to achieve scale?



## Fair trade versus buying local

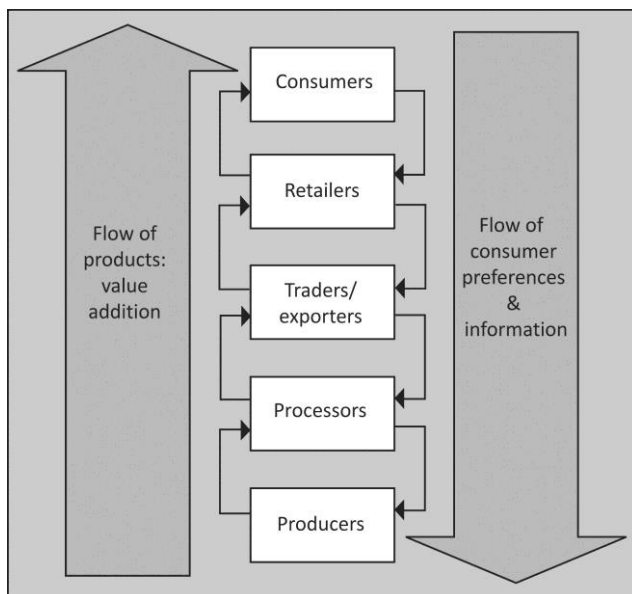
Many consumers are increasingly wondering whether to buy local products, or whether to buy fair trade, in terms of the 'best' ethical choices they could make. Some choose to buy local where possible, and fair trade where goods cannot be produced locally, for example coffee and cocoa products for the case of Scotland. Buying local is thought to be a good choice in terms of environmental impact – reducing 'food miles', and in terms of supporting the local economy.

However, locally produced doesn't always mean lower carbon emissions, as agricultural products grown in colder climates may use more energy to create warm enough conditions for them to grow than would be used in shipping in the same products from elsewhere. In addition, there is a growing interest in including local production networks in the fair trade movement – looking at prices paid to producers and workers' rights at local level – so fair trade and local could in some cases be the same thing. Evidently further research and reflection is needed to provide recommendations on the complex question of fair trade versus buying local.

## Does fair trade work?

There are a range of criticisms relating to whether fair trade models achieve their aims of improving livelihoods for the poorest producers and processors in global trade networks. A recurrent criticism relates to finances. Some claim that extra margins applied to fair trade goods, and fair trade premiums (additional amounts paid by buyers of Fairtrade goods to use on community projects) do not actually reach producers. Others argue there is no transparency regarding profit margins for the different actors involved in a value chain, from producer to retailer, therefore the claim of fairness is unjustified. While more research is clearly

needed on profit margins and transparency in value chains, there is plenty of evidence that fair trade producers do receive higher prices or incomes than non-fair trade producers, where the rules of the scheme are being respected (there will always be the occasional case of abuse of fair trade labels). Yet receiving a higher price than market rate does not necessarily mean that producers receive what could be called a living wage. They may still be living in poverty – just a bit better off than they would be without fair trade.



In order for producers in developing countries to receive real living wages, large-scale structural changes in trade networks would be required, and perhaps consumers would be required to pay higher prices which reflect the amount of work behind a final product.

Another criticism relates to whether fair trade creates dependency among poor producers. Some argue that the lack of focus on mechanisation for farmers, and industrialisation – establishing manufacturing in producer countries rather than exporting raw materials to be processed elsewhere, keeps farmers at the bottom. Fair trade certification systems can also be costly and complex, meaning farmer cooperatives can become reliant on non-governmental organisations (NGO) for financial and administrative support. This can create a barrier to

entering fair trade markets, as only those involved in groups that have attracted NGO support can gain certification or market access. On the other hand, many in the fair trade movement are working on developing local processing capacity and upgrading skills of producers. Alternative models of fair trade with lower fees (for example by establishing local audit processes rather than needing to bring in international certifiers) are also being developed. There is also work being done on ‘South-South’ fair trade, developing local markets for fair trade products.

In conclusion, fair trade is complex and there are no clear-cut answers to many of these questions. Yet the fair trade movement has been successful in raising awareness, at least in many Western countries, of workers’ rights issues in developing countries. Fair trade practitioners are continuing to work to improve fair trade approaches, and a range of academic research is taking place across the world on fair trade issues.

## What you can do

- Choose to buy fair trade products, and encourage others to do so – see our info sheet on fair trade products for more information
- Get involved in campaign or action groups e.g. student societies, our staff/student Fair Trade Steering Group, NGO campaigns, Scottish Fair Trade Forum etc.
- Take part in our fair trade volunteering projects
- Attend our fair trade lectures, seminars and other events
- Host your own fair trade events – we can help promote them
- Consider carrying out research on fairness in trade (we have a Fair Trade Dissertation Prize for all students and a Fair Trade Academic Network for academic staff/PhD students)
- Follow us on Facebook (<https://www.facebook.com/UniversityOfEdinburghFairTrade>) and Twitter (<https://twitter.com/UoEFairTrade>) and share our posts

For more information on all of the above, see our website [www.ed.ac.uk/fairtrade](http://www.ed.ac.uk/fairtrade) or contact [liz.cooper@ed.ac.uk](mailto:liz.cooper@ed.ac.uk)