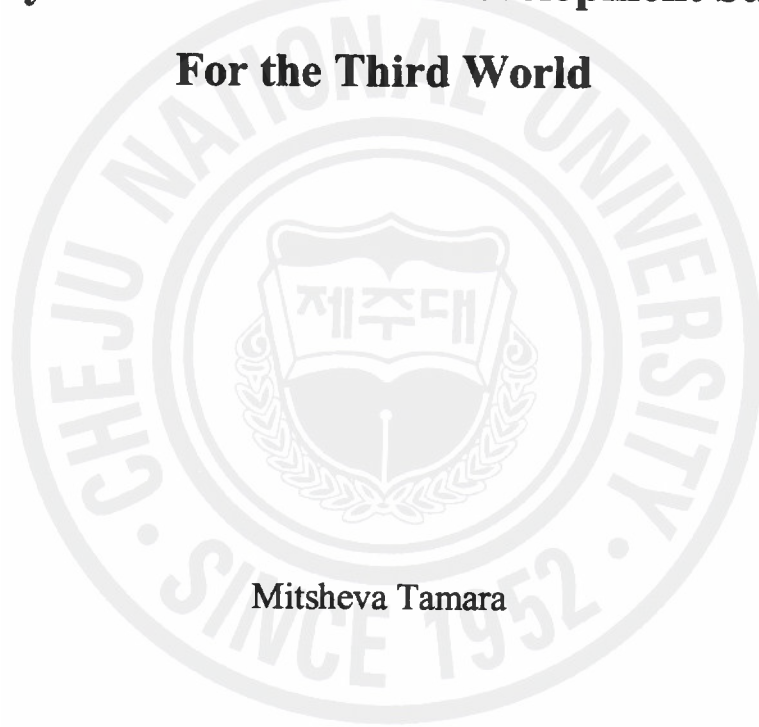


A Thesis

For the Degree of Master's of Business Administration

**A Study on Fair Trade as a Development Strategy
For the Third World**



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A Study on Fair Trade as a Development Strategy for the Third World

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of Master's of Business Administration (International Trade).

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Abstract

The world we live in today is evidently under the affect of globalization and the reliance that consumers in the Northern Hemisphere unconsciously have on products from the Southern Hemisphere. Still, it seems possible to speak about considerable disconnect between the journey that products, as for example coffee, have taken and final consumers that buy those products. Due to this disconnect doubled by a lack of awareness Northern consumers continue to support unsustainable commodity chains and exploitative trading partnership.

In this context, the focus of this thesis is the Fair Trade movement as the strategy of promotion of a more socially and environmentally sustainable alternative to the conventional market. An important aspect of using the Fair Trade movement to explore the concept of sustainable development and empowerment is that it gives each person a concrete opportunity to make difference by making responsible consumer choices; that is in its turn could result in increased returns on agricultural labor in the developing world and positively influence producers' livelihood. In order to prove that, the review of current activity of Fair Trade organizations and research on the impact of Fair Trade at the producer level, accountability and the challenges on the way to the mainstream market have been made.

The purpose of this paper is 1) to pursue the investigation on the impacts of Fair Trade upon producers and workers as to examine if Fair Trade really differ from conventional market systems and does promote sustainable development and empowerment; 2) to try to define the main challenges Fair Trade faces as it enters the mainstream and suggest some strategies for the future development.

This thesis involves a variety of methods to analyze and incorporate a wide range of situations and perspectives. The work was started with the preliminary research and literature review on the topic, such as literature regarding ethical trade, ethical consumption and the potential and limitations of the Fair Trade movement.

The importance of this work is possible to explain through the absence of much academic literature and research on Fair Trade in general and its impacts upon producers and workers in particular, especially in South Korea, where is still no sign of even one research dedicated to this important global issue.

The literature survey and case studies in this thesis show that participation within Fair Trade has made a difference for the producers and workers by promoting both sustainable development and empowerment. This is shown in the many material and non-material identified impacts from Fair Trade. It has been argued for that producers and workers have gained more control over their lives and that their living standard and quality of life have improved. Identified impacts supporting this statement are the increased income, the improved housing standards, the access to health care, the

greater knowledge about one's legal rights and the increased possibility to participate in decision-making process.

However, during the work on this thesis it was found that from the point of view of most consumers, there is a little difference between different ethical offers. So, it seems to be important for Fair Trade organizations to be able to demonstrate that they continue to do what they say is their objectives, offering accountability and transparency. It is possible to speak about certain challenges that Fair Trade should face in order to maintain its growth. So, some strategies for future development are suggested, and that can be summarized as following:

- 1) To develop projects for managing the growth of labeling organizations(bringing all of them under one internationally recognized and politically empowered organization);
- 2) To bring a Fair Trade label to the legal state, in order to ensure its uniqueness;
- 3) To build a stronger Fair Trade brand, through an accent on organic certification;
- 4) To find innovative ways to co-operate with big market-players (joint ventures and joint activities);
- 5) To find new ways for further marketing development, for example such events as Fair Trade Fortnight and Fair Trade month;
- 6) To expand advocacy and education by promoting such projects as “The World in a Shop – World shops mobilizing youngsters for Fair Trade” and possible formation of an International Fair Trade training and research center;
- 7) To strengthen role of producers by letting them to participate in the decision-making process within Global Fair Trade organizations (issuing shares to producers can be a variant of involving them more into business-making);
- 8) To pay more attention to the women in the Fair Trade movement (formation of women co-operatives and educational centers to give them a chance to act equally and pursue their further empowerment).

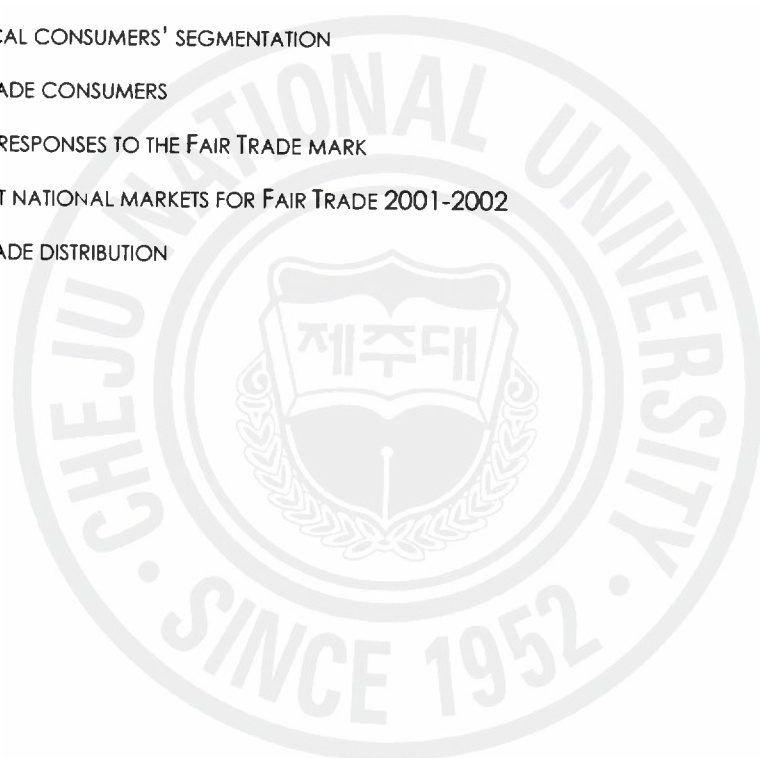
One of the reasons for conducting this study was to redress the lack of research upon Fair Trade as a development strategy. The undertaken research suggests that since Fair Trade is a relatively new phenomenon and so far unexplored enough, more work needs to be done in order to really understand how Fair Trade affects the producers and workers in the developing countries. Even though the findings from a small study like this cannot provide any general conclusions, it does show that in order for Fair Trade to keep its credibility it is of great importance to conduct further studies within the field.

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List of Abbreviations:

ATO Alternative Trading Organizations
EDB Export Development Board
EFTA European Fair Trade Association
EPZ Export Processing Zone
FINE Cooperation between FLO, IFAT, NEWS! and EFTA
FLO Fair Trade Labeling Organizations International
FTO Fair Trade Organizations
FTZ Free Trade Zone
FTZ&GSEU Free Trade Zone & General Services Employees Union
GDP Gross Domestic Product
IFAT International Fair Trade Association
IFOAM International Federation of Organic Agriculture Movements
IMF International Monetary Fund
JAAF Joint Apparel Association Forum
LTTE Liberation Tigers of Tamil Eelam
NEWS! Network of European Worldshops
NI National (FLO-certification) Initiatives
OECD Organization for Economic Cooperation and Development
PODIE Peoples Organization for Development Import & Export
Sida Swedish International Development cooperation Agency
SLR Sri Lanka Rupee
UNDP United Nations Development Program
WCED World Commission on Environment and Development

1. Introduction

Martin Luther King once said, “In the morning we drink coffee provided to us by a South American, tea from the Chinese or cocoa by a West African. Before we leave for our jobs, we are already indebted to more than half the world”¹. The world we live today is evidently affected by globalization and the unconscious reliance that consumers in the Northern Hemisphere have on products from the Southern Hemisphere. Still, it is possible to speak about a considerable disconnect between the journey that products we get used to consume every day, such as for example coffee, have taken. It is due to this disconnect doubled by a lack of awareness that Northern consumers continue to support unsustainable commodity chains and exploitative trading partnerships. Many consumers are virtually unaware of the long and complicated path that products travel to get to the retail shelf, the environmental, economic or societal effects that are linked to the commodity chain and the numerous lives that are affected along the way.

1.1. Objectives and motivation

This paper focuses on the Fair Trade movement as the development strategy for the Third World which promotes of a more socially and environmentally sustainable alternative to the conventional market. An important aspect of using the Fair Trade movement to explore this concept of sustainable development is that it gives each person a concrete opportunity to make difference by responsible consumer choices that in their turn could result in increased returns on agricultural labour in the developing world and positively influence producers livelihood. In order to prove this statement we reviewed current activity by Fair Trade organizations and research of the literature on Fair Trade impact assessment at the producer level, accountability and the inroads of Fair Trade into the mainstream market. At the end we also tried to point out some challenges Fair Trade facing now and suggestions on addressing those challenges, which helps to indicate where more work is needed. Thus, a few strategies for future Fair Trade development would be presented.

1.2. Purpose of the research

Thus, the purpose of this paper is to try to pursue the investigation of the impacts from Fair Trade upon producers and workers by bringing more light on the International Fair Trade movement

¹ Oxfam, Trading away our rights, 2004, www.oxfarm.org/eng/pdfs/report

and clarifying its objectives, approaches, structure, participants, the challenges it faces as to examine if Fair Trade does promote sustainable development and empowerment to the Third World producers.

Our hope is that this thesis could serve as an educational resource base for all those who wish to expand their knowledge about discussed in it global issues as it covers a wide range of aspects both within and outside the Fair Trade system. It seems even more important as the academic literature and research on Fair Trade in general and its impacts upon producers and workers in particular is very limited, especially in South Korea, where there is still no signs of even one research dedicated to this important global issue.

1.3. General theoretical background

In this research we attempted to analyze and incorporate a wide range of situations and perspectives. The work was started with the preliminary research and literature review on the topic, such as literature regarding ethical trade and ethical consumption and the potential and limitations of the Fair Trade movement. The educational strategies and responses of the other authors of the field were also observed. The material for the theoretical framework has been collected mainly through literature covering Fair Trade aspects, globalization and trade, development and trade and questions on sustainable development and empowerment. Much of the information used in this thesis has been gained through internet sources, mainly those websites provided by large and well-known organizations and authorities and therefore the material could be regarded as valid. As far as possible the information gained from different kind of resources has been thoroughly compared and then brought together in this work.

The following questions are asked in this study in order to answer the aim:

1. What does the Fair Trade movement need to do to substantiate its claims regarding benefits to producers, what support producers require and what is the impact of the Fair Trade on producers' livelihood (the problem of impact assessment)?
2. What are challenges that Fair Trade faces nowadays; how should it response and what messages should it be transmitting to the consumer in order to continue to assert its unique selling point in the market place (development strategies)?

1.4. Outline of the Thesis

The present work is divided into five parts, each of those focused on one particular issue concerning the Fair Trade movement, in order to draw the full picture and give greater understanding of what is happening in the socially responsible market, by that the purpose of the research could be achieved.

Following a brief introduction to Fair Trade, in the first chapter the paper gives definition of Fair Trade, discusses historical development of the international Fair Trade movement and social drivers behind its emergence, and then underlines objectives and products groups.

Chapter two focuses on the economics of Fair Trade. It starts with Fair Trade main principles and then moves toward its industry structures and business strategy. The role and function of alternative trading organizations are discussed and key strategic issues of mainstreaming are addressed. It also explores the certification of Fair Trade products; the marketing and selling of Fair Trade in both strategic and operational terms is considered as well as the current market situation for Fair Trade goods, followed by the definition of the 'ethical' consumer and the sales landscape for Fair Trade products.

Chapter three explores the Fair Trade business model from perspective of its impacts. The Fair Trade producers are outlined and the relationship that they have with Fair Trade organizations are discussed. This section considers progress in understanding the impact of Fair Trade relationships before moving on to issues of accountability, especially in relation to consumers in the market, before giving the framework for impact assessment. It closes by drawing conclusions regarding Fair Trade indirect and direct development impacts.

Finally, Chapter four draws the work to its end by pulling together the various key arguments discussed in earlier chapters whilst looking forwards the various possibilities for Fair Trade development in the future. A number of important challenges for the continued growth of Fair Trade and for its providing further development and empowerment are set out as well as the strategies to face those challenges.

In the conclusion the results of the research will be presented to close it by returning to the key questions. It will be noticed that Fair Trade does bring positive changes into producers' lives; however, there is a need to address a series of key challenges to release its potential as a force for further progressive global social changes.

1.5. Background

During the past thirty years the interconnectedness of the "global village" has become more and more apparent as the communication revolution and cheaper air travel have linked communities around the world ². The collapse of the "Second World" planned economies in Eastern Europe and the Soviet Union has also led to an increasing consensus over economic and political norms based

² Gabriel, Y. and Lang, T., *The unmanageable consumer: contemporary consumption and its fragmentation*, London: Sage, 1995, p. 47

around the US model of free market democracy and neo-liberal economics (the so called “Washington Consensus”)³.

Today’s corporations span the globe with interests across many nation states and supply chains that encircle the planet, estimated turnovers of some equivalent to small independent countries. For example, WalMart – the world’s largest company by market capitalization in 2003 – had a turnover in 2002 greater than the gross domestic product (GDP) of Turkey, Denmark, South Africa and many other countries⁴. As a result, consumers in the developed world have been offered a wide range of products, and the growth of profits for many businesses is now increasingly driven by opportunities to seek out cheaper source materials and labor from around the globe.

One of the most frequently used concepts when discussing trade, development and international political economy is globalization⁵. In this thesis Globalization will be analyzed from its economic side and thus is defined and discussed in terms of internationalization and liberalization. Internationalization describes the process of the increased international interdependency and exchange whereas liberalization refers to the increasing integration of the international economy through the creation of a borderless and open world economy⁶.

The neo-liberal view of globalization and liberalization, including the idea that market forces will bring about democracy, prosperity and liberty to all humans has been the prevailing one. The impact from this neo-liberal approach to globalization has been enormous in the developing world. Many of these countries were forced during the 1980s and 1990s, in line with the policies of IMF and the World Bank, to implement free markets due to debt conditions and to attract foreign investment to achieve economic growth⁷. This has led to that many developing countries have become dependent on their export-led production and at present suffer from for example increased poverty, rural-urban mass migration and environmental degradation, identified as some of the negative impacts from globalization and the world trade⁸.

3 Nicholls, A. and Opal, S., *Fair Trade: Market-driven ethical consumption* (revised), London: Sage, 2006, pp. 4-5.

4 Young, W. and Welford, R., *Ethical shopping*, London: Fusion, 2002, p. 25

5 Todaro, M. and Smith, S., *Economic development*, 9th edition, Harlow: Pearson Education Limited, 2006, p.578

6 Scholte, J.-A., *Globalization-a Critical introduction*, London: MacMillan Press LTD, 2000, pp.15-16

7 Elliot, R., ‘Brands as resources for the symbolic construction of identity’, *International journal of advertising*, 17, 1999, pp. 131-44

8 Nicholls, A. & Opal, Sh., *Fair Trade: Market-driven ethical consumption*, London: Sage, 2004 p.32

Fair Trade attempts to address some of the key problems in the increasingly deregulated marketplace by addressing the producers' needs, as well as those of consumers, big corporations and their shareholders. Through recognizing the global community as having rights and responsibilities that extend across all of its stakeholders Fair Trade represents a new way to do business that though looks as a social aid still acknowledges the need for profitability. The rise of Corporate Social Responsibility (CSR) as a boardroom-level topic for discussion reflects change in consumer sentiment towards a demand for more transparency and fairness in all areas of business activity⁹.

The internationally accepted definition of Fair Trade was developed by the world's leading Fair Trade players and is as followed:

“Fair Trade is a trading partnership, based on dialogue, transparency and respect that seek 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. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.”¹⁰

The Fair Trade movement consists of a set of groups which are linked through their membership associations – The Fair Trade Labeling Organizations International (FLO), the International Federation of Alternative Trade (IFAT), the Network of European Workshops (NEWS!), and the European Fair Trade Association (EFTA). Together these organizations are identified as the FINE network, a name created from the first letter of each of the four association's names. The North American equivalent to the European-based FINE, the associates of the Fair Trade Federation can be included into this definition¹¹.

Sales of Fair Trade products in Europe, North America and Japan have grown exponentially in recent years. Fair Trade bananas have a 50 per cent market share in Switzerland¹², and a global sales of all Fair Trade products amounted to approximately \$895m in 2003¹³. Fair Trade coffee is the fastest

9 Hilton, S. and Gibbons, G., *Good business*, London: Texere, 2002, p. 54

10 FINE, report on Fair Trade movement progress, Apr. 2003

11 Murray, D. and Reynolds, Fair Trade: the challenges of transforming globalization, 2006, p. 4

12 AgroFair, 'The co-op in Switzerland goes for 100% Fair Trade bananas and AgroFair', press release, 2 Feb. 2004, [www.fairtrade fruit.com/Press Releases](http://www.fairtrade fruit.com/Press_Releases)

13 Vidal, J., 'Fair Trade sales hit \$100m a year', *The Guardian*, 28 Feb.2004, p.13

growing segment of the specialty coffee industry in the USA and the UK¹⁴. As a result, addressing Fair Trade issues is now part of the agenda for most major European retailers, including Monoprix, Tesco, Migros, and Carrefour. Fair Trade is now the subject of hundreds of global media stories each year and also forms an important part of both the taught programs and research literature of several academic disciplines, including development economics, finance, accounting, business ethics, marketing, buying, retail operations and social studies. National governments and international organizations, such as the United Nations and the European Commission, are also recognizing the importance of the new model of trade¹⁵.



14 McCarthy, M., 'Fair Trade produce tempts the shoppers with a conscience as annual sales surge to \$100m', The Independent, 1 March, 2004, p. 5

15 Nicholls, A. and Opal, Sh., op. cit., p.5

2. The economics of Fair Trade

To understand how Fair Trade makes markets work and improve the conventional market mechanism it is necessary to start with Fair Trade market development process, explain its basic principles and products groups. Within these four basic principles, direct trade and long-term trading relationships can improve the functioning of the export market for producers in developing countries, while the minimum price guarantee and payment of the social premium are more development-oriented mechanisms for improving the lives of farmers and farm workers¹⁶.

2.1. Fair Trade development

Historical analysis shows that the growth of the Fair Trade market can be seen as developing in four waves.

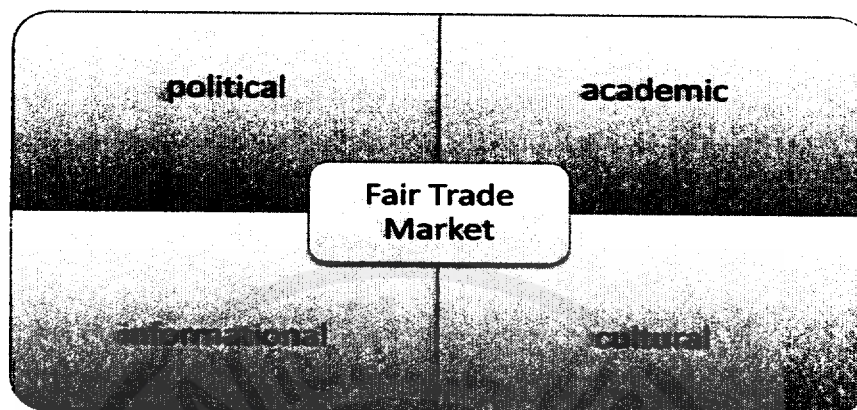
1. In the first wave, the concept of Fair Trade began to take shape after the Second World War, when church organizations, and most notably Oxfam, began marketing handicrafts from the war-ravaged communities of Eastern Europe to support their recovery process.
2. In the second wave, the principles of the movement were refined to highlight the injustices facing the world's poor and the unequal trading relations that maintained this poverty.
3. The third wave of development involved naturally sympathetic retail businesses, gradually branching out from handicrafts to include a few food commodities such as tea, coffee, and cocoa.
4. The solidifying growth in the mainstream has characterized the fourth wave of Fair Trade development, as its success has encouraged the market entry of more traditional players, including the involvement of dominant corporate brands, like Procter & Gamble, Nestle, Costa Coffee, Sainsbury's, Starbucks and Sara Lee.

In this context, Fair Trade can be defined as not an “anti-globalization” movement, but instead a part of what is described as a “new globalization”, being developed through networks pursuing a strategy of reframing globalization from below.

¹⁶ *ibid*, p.32

A huge increase in the market for Fair Trade products internationally has been driven by a number of different influences that can be grouped under four main headings: political, academic, cultural and informational.

Figure 2-1: Influences on the development of the Fair Trade market



Source: Nicolls (2002)

POLITICAL INFLUENCE:

The political context for alternative trade has changed significantly in the developed world during the past ten years¹⁷. There is a growing international consensus that “trade not aid” is the best way to take in order to alleviate poverty in the developing world¹⁸.

In the UK, the Ethical Trading Initiative, sponsored by the Department of International Development, has increased public awareness of ethical trading and encouraged British retailers to support Fair Trade products. This reflects a shift in values towards a greater concern for developing world issues¹⁹.

ACADEMIC INFLUENCE:

Paralleling the rise in consumer interest and demand, academic scholarship exploring Fair Trade has also extensively developed in recent times²⁰. This research field grew out of the debate concerning ethical business, in general, and green and environmental issues, in

17 Murray, D. and Reynolds, L., ‘Alternative Trade in bananas: obstacles and opportunities for progressive social change in the global economy’, *Agriculture and Human values*, 17, 2000, pp. 65-74

18 Annan, K., ‘A rout out of poverty’, *The Financial Times*, 5 March, 2001

19 Strong, C., ‘Features contributing to the growth of ethical consumerism-a preliminary investigation’, *Marketing Intelligence and Planning*, 14(5), 1996, pp. 5-13

20 Gould, N., ‘Fair Trade and the consumer interest: a personal account’, *International Journal of Consumer studies*, 27(4), 2003, pp. 341-5

particular. Fair Trade combines a discussion of global responsibility with business ethics in a framework centered on the individual worker's experience. The proliferation of business ethics courses and modules in academic institutions has supported the growth of ethical consumerism, as a new generation of senior managers, sensitive to the ethical business agenda, has increasingly influenced corporate behavior²¹.

CULTURAL AND INFORMATIONAL INFLUENCE:

The growth of ethical consumerism over the last thirty years provides the main driver behind the development of a Fair Trade market²². A recent survey in the UK suggested that 65 consumers now judge themselves "green or ethical consumers"²³. The Key criteria for successful brands have changed significantly: there has been a shift from pragmatic, price- and value-driven imperatives towards "real values" – that means that a brand follows moral and ethical criteria.

Table 2-1: Brand values 1970-2000

Decade	Key criteria	Example
1980s	Higher added value	Armani
2000+	Real values	Body shop

Source: Nicholls (2002)

There has been a move away from the self-focused consumer of 1970's and acquisitive consumer of the 1980's towards a new focus of values. As a part of ethical trade, Fair Trade has also moved into the mainstream of modern consumerism.

The main driver for this cultural shift has been the extraordinary rise in the volume of easily accessible information about global social issues, coinciding with the broadening of consumerism within all levels of society²⁴. This has come about both as a result of

21 Bishop, T., 'Integrating business ethics into an undergraduate curriculum', *Journal of Business Ethics*, 11, 1992, p. 291-9; Cow, R., 'Black Hole in MBA curriculum', *The Guardian*, 19 Feb., 2000, p. 43

22 Burke, M. and Berry, L., 'Do social actions of a corporations influence store image and profit?', *Journal of Retailing*, 50(4), 1974, pp. 62-72

23 *Guardian/ICM*, survey published in the *Guardian's Spark* magazine, 28 Feb., 2004, pp. 8-15

24 Whysall, P., 'Retailing and the Internet: a review of Ethical Issues', *International Journal of Retail and Distribution Management*, 28(11), 2000, pp. 481-9

increased media engagement with the broad subject²⁵, and also because of the growth in the use of the Internet by interest groups to publish and disperse information about unethical corporate behavior (for example, www.corporatewatch.org.uk, www.actionaid.org).

The result is that the “concerned” consumer now focuses on production and supply chain issues. The main ethical movement – “green” environmentalism – has now been broadened from a product focus into a more general concern over the entire production process, particularly highlighting the social element²⁶. The result has been a dramatic rise in demand for Fair Trade products and an increased product range to satisfy this.

2.2. Fair Trade principles

1. FAIR TRADE PRINCIPLE ONE: DIRECT TRADE WITH PRODUCERS²⁷

The requirement to work directly with producers, whether they are farming co-operatives, plantations or small-scale craft manufacturers is perfectly compatible with a free market system. Simply improving the trading standards already increases producer income, by allowing them to capture more of the prevailing market price, even if they are unable to sell at the higher Fair Trade price. By bringing this Fair Trade principle into the life it is possible to address several of the market failures.

1) Lack of access to markets:

Under a co-operative structure, farmer members own shares in an umbrella business organization, with equity ownership usually proportional to the amount of product they sell through the co-operative. Because the co-operative is owned by the farmers themselves and all co-operative profits are shared democratically according to the wishes of the farmer members, there is no incentive for the market access component to be exploitative. Co-operative membership allows small farmers to benefit from group selling and purchasing²⁸.

25 Strong, C., ‘Features contributing to the growth of ethical consumerism-a preliminary investigation’, *Marketing Intelligence and Planning*, 14(5), 1996, pp. 5-13

26 Whysall, P., ‘Ethics in retailing’, *Business Ethics: a European Review*, 4(3), 1995, pp. 305-18

27 Barratt Brown, M., *Fair Trade: Reform and Realities in the International Trading System*, London: Zed, 1993, p. 47

28 Mendoza, R. and Bastiaensen, J., ‘Fair Trade and the Coffee crisis in the Nicaraguan Segovias’, *Small Enterprise Development*, 14(2), 2003, pp. 36-46

2) Producers lack of information about prices:

Organized into a co-operative, farmers can pool their income to purchase a phone, fax, and the Internet service to insure access to current price information. Co-operatives can offer storage facilities and warehouse shelf-stable product during low-priced markets to protect themselves from market fluctuation, benefiting their farmer members by using information about future prices to control when they sell²⁹.

3) Producers lack information about quality and industry requirements:

Co-operatives help to pool resources to visit clients in consuming countries, develop sales relationships and learn more about the industry they supply³⁰. Co-operative structures and direct trade allow small-scale low-income farmers to deal directly with large traders in the North to address information imbalances in the trading system.

4) Producer lack access to financial markets:

Creation of an export co-operative allows all farmers to get access to the financial markets and reduces their exposure to risk from price fluctuations.

5) Credit markets are not competitive:

The Fair Trade requirements recognize credit as a central issue for farmers with seasonal crops who could benefit from loans out of the harvest season. One of the key Fair Trade standards for such seasonal crops is that the importer must provide up to 60 per cent of the contract amount if asked by the co-operative³¹.

6) Producers cannot easily respond to market forces:

The main way that Fair Trade directly addresses this issue is through the guarantee of above-market prices which raise the income of producers. As farmers get higher incomes, they have more room to manoeuvre and might consider trying out new income-generating activities³².

7) Weak legal system:

FLO Fair Trade standards require farms and co-operatives that employ significant numbers of workers to abide by International Labor Organization standards and

29 Carlaw, N., 'UK stores beacon for Fair Trade', BBC news, 26 Nov., 2002, available at: www.news.bbc.co.uk

30 Batsell, J., 'Fair chance in Starbucks'., The Seattle Times, 10 June, 2003: C1

31 Nicholls, A. and Opal, S., op. cit., p.37

32 *ibid*, p. 38

domestic laws regarding the use of child labor, the right to organize, the use of dangerous chemicals and machinery, working hours, and other fundamental labor rights³³.

2. FAIR TRADE PRINCIPLE TWO: LONG-TERM TRADING RELATIONSHIPS.

The requirement of Fair Trade importers to sign long-term contracts is another way to smooth income and correct information failures. By locking in prices, farmers benefit from a predictable income flow, much like a futures market³⁴. Strong relationships with buyers encourage information exchanges regarding quality and logistical requirements that farmers whose product is sold on the “faceless” commodities exchanges cannot enjoy.

However, there are some withdraws in the Fair Trade system, such as difficulty to enforce long-term relationships through the Fair Trade system; mainly because in most cases Fair Trade standards require only six-month to one-year purchase contracts. FLO standards do not codify what a “long-term relationship” must be beyond the signing of a contract³⁵. IFAT does not include any explicit statement of the duration of trading relationships in its Fair Trade Code of Practice. In this case, if importers experience difficulties with one co-operative they can easily switch to another one once the long-term contract expires; with hundreds of co-operatives to choose from, an importer has little money incentive to invest in improving the co-operative’s supply problems³⁶.

3. FAIR TRADE PRINCIPLE THREE: THE FLOOR PRICE

The Fair Trade floor price is intended to cover the costs of production and is loosely structured using the following formula:

$$\text{Fair Trade floor price} = \text{cost of production} + \text{cost of living} + \text{cost of complying with Fair Trade standards}$$

Production and living costs are usually calculated individually for each country of origin or region. Costs of production are intended to cover land, labor and capital costs of sustainable production

33 www.fairtrade.net

34 Barratt Brown, M., op. cit., p. 49

35 Tristan LeComte (interview), president, AlterEco, Paris, 16 July, 2004

36 Nicholls, A. and Opal, S., op. cie., p. 41

and are calculated based on surveys of producers; an extra premium for certified organic production is included to cover the extra costs of investing in the transition to organic production and certification³⁷.

However, there is a concern that the potential for artificially high prices to leave producers dependent on products for which no viable market exists outside the Fair Trade system. If the Fair Trade market were to go into decline, these producers would be left with fewer buyers and limited options for alternative source of income³⁸. Requiring Fair Trade producer groups to diversify their income sources would remedy this potential threat to producer well-being. Some Fair Trade buyers, especially in crafts, limit the length of their contracts with individual producer groups to require them to “graduate” to non-Fair Trade buyers³⁹.

4. FAIR TRADE PRINCIPLE FOUR: THE SOCIAL PREMIUM

The social premium is added according to a co-operative performance and must be spent by the co-operative or farm worker organization on social development projects in the grower community that is strictly inspected by FLO⁴⁰. Simply cover the cost of living and production does not allow those living on minimum wages to invest in retirement, or health care, or education; in other words, they must be completely dependent on government or community support for all savings and investments in bettering their lives. The Fair Trade social premium is the guarantee that producers earn a little extra to invest in improving their social condition or the quality of their natural environment⁴¹.

To summarize all the above mentioned, several aspects of Fair Trade, including direct trading, improved information flows and access to credit work within the free market system to make it better. However, Fair Trade is not an entirely free-market system because of two other factors, namely the price floor mechanism and the social premium transfer. So, Fair Trade might be seen as a development project for transferring wealth from consumers to the developing world through market-based mechanism.

37 www.ifat.org

38 .LeClair, M., 'Fighting back: the growth of alternative trade', *Society for International Development*, 46(1), 2003, pp. 66-73

39 Humphrey, , L., *Which way to market? Exploring opportunities for marginalised producers in developing countries to supply mainstream commercial companies in the UK*. Traidcraft Policy Unit Report Series No. 1, Traidcraft Exchange, London, 2000

40 Barratt Brown, M., *op. cit.*, p. 53

41 Nicholls, A. and Opal, S., *op. cit.*, p. 46

2.3. Fair trade industry structures and business strategy

As Fair Trade enters the mainstream the original system set up by ATOs are no longer viewed as “alternative”. More and more mainstream companies are adopting Fair Trade practices on at least a few of their products. The term “ATO”, however, continues to serve and conforms to the following characteristics.

- All or nearly all products are traded according to Fair Trade principles.
- Nearly all ATOs have adopted the Fairtrade Labeling Organizations International (FLO) certification system on products for which standards exist.
- ATOs’ mission statements include commitments to Fair Trade and several ATOs are structured to return the maximum amount of income to farmers, even above the Fair Trade minimum⁴².

The umbrella term “ATO”, therefore, covers privately held companies, worker-owned co-operatives, companies limited by shares, partly-producer-owned companies and not-for-profits.

Coffee industry structure:

The global coffee roasting industry is relatively monopolistic, with five companies, Kraft, Nestle, Sara Lee, Procter and Gamble, and Tchibo, buying almost half of the global supply of green coffee beans⁴³. Eight transnational corporations control the export of more than 50 per cent of the world’s coffee production⁴⁴. Yet, 20 to 25 million farmers and farm workers are earning a living from the crop⁴⁵. Seventy per cent of the world’s coffee is grown on plantations of less than 25 hectares, and estimates of the world’s production grown by very small family farmers average at around 50 per cent⁴⁶. Nearly all coffee is grown in developing countries, with Brazil, Vietnam, Colombia and Indonesia accounting for over 60 per cent of world production⁴⁷. Coffee is therefore a crop that is extremely important to the developing world, yet importers’ concentrated buying power means that the supply

42 Littrell, M. and Dickson, M., ‘Fair Trade performance in a competitive market’, *Clothing and Textiles Research Journal*, 16(4), , 1998, pp. 176-89

43 Gresser, C. and Tickell, S., *Mugged: Poverty in your coffee cup*, Oxford: Oxfam, 2002, p. 32

44 Bacon, C., ‘Small-scale coffee farmers use of Fair Trade networks to negotiate globalization, crisis and sustainability’, Doctoral Dissertation, University of Santa Cruz, CA, 2004

45 Rice, P. and McLean, J., *Sustainable coffee at the crossroads*, Washington, DC: Consumers Choice Council, 1999, p. 24

46 Gresser, C. and Tickell, S., *Mugged: Poverty in your coffee cup*, Oxford: Oxfam, 2002, p. 49

47 ICO, International Coffee Organization, *World Coffee Export and Price Data 1986-2003, 2004*, available at: www.ico.org

chain is largely controlled by transnational coffee exporters and roasters rather than by the millions of farmers and farm workers who grow the beans.

Beginning in the 1980s, some small-scale coffee roasters in the North started to import directly from co-operatives of family coffee farmers at above-market prices. These ATOs were pioneers in what is known today as Fair Trade coffee. Coffee producer co-operatives perform the middleman function by consolidating members' production, but because the co-operative is owned by the farmer members, the profits normally retained by the middleman are instead captured by the farmers themselves. The Fair Trade system also required the co-operatives to own or at a minimum control the milling process in order to be able to export directly, further increasing farmer power⁴⁸.

Figure 2-2: Fair Trade in the coffee supply chain

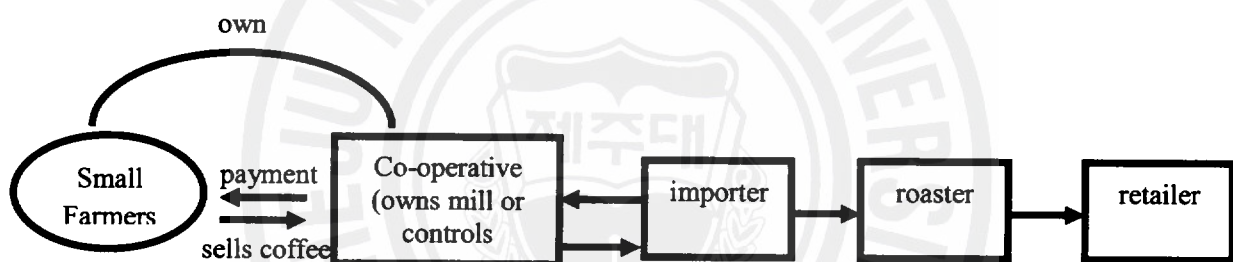
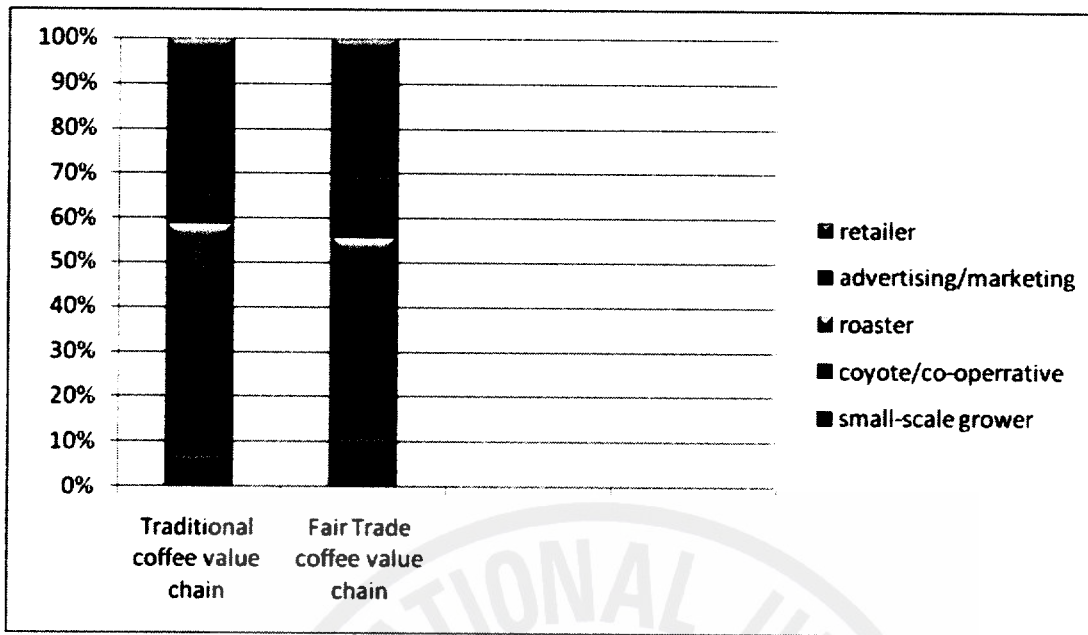


Figure 2-3: Traditional vs. Fair Trade coffee value chain (low-priced coffee market)

48 Mendoza, R. and Bastiaensen, J., op. cit., pp. 36-46



Source: Mendoza and Bastiaensen (2003)

In spite of ATOs operated successfully in the coffee trade for several years, Fair Trade in Europe and the US remained a niche market until the emergence of certification and independent Fair Trade labeling in the late 1990s. The entry of certified Fair Trade coffee in the USA followed the emergence of the “specialty” coffee industry through the exponential growth of coffeehouses, led by Starbucks. The specialty coffee industry focused on high-quality beans and emphasizes origin countries. Thus, its members are especially interested in direct linkage with producers and are willing to pay more for high-quality coffee, aspects which led this sector to be natural first-adopters of Fair Trade. Fair Trade has benefited from this association, as specialty coffee is the fastest-growing segment of the US coffee market ⁴⁹.

Recently, a combination of consumer and shareholder pressure coupled with the success of ATOs and small roasters with marketing Fair Trade coffee has resulted in a number of larger coffee roasters, including Procter and Gamble and Starbucks, entering the Fair Trade market. In April 2000, Starbucks announced that it would start to serve Fair Trade coffee in all of its company-owned cafes in the USA. Procter and Gamble launched a Fair Trade coffee offering on-line under its Millstone brand in late 2003, and the product arrived on grocery store shelves in late 2004. In 2000, Costa Coffee became the first UK café chain to offer Fair Trade coffee, and Marks and Spencer announced in

49 SCAA, Specialty Coffee organization of America, Specialty Coffee facts, 2004, available at: www.scaa.org

September of 2004 that it would serve only Fair Trade coffee in its 198 Café Revive outlets, representing an 11 per cent market share of the UK-branded coffee bar market ⁵⁰.

The entry of multinational corporations (MNCs) and the mainstreaming of Fair Trade represent a big potential growth opportunity for the latter, providing Fair Trade coffee growers with access to new markets, channels and customers⁵¹.

Bananas Industry Structure:

The best-selling produce item in Northern supermarkets, bananas are the fourth most consumed food product in the world ⁵². Fair Trade’s success in changing the nature of coffee marketing and increasing returns to coffee farmers led NGOs and consumer activists to consider applying the model to banana production ⁵³.

Because supermarkets typically carry only one brand of bananas, any company that can undercut a competitor and provide lower-cost bananas to a retailer can capture large volumes of business ⁵⁴. Moreover, consumers are extremely brand aware, but are not particularly brand loyal ⁵⁵.

Table 2-2: Conventional banana supply chain

Function	Actors
Banana growing	
Packaging/exporting	

50 Fair Trade Foundation, ‘Response to Marks and Spencer’s switch to 100% Fairtrade coffee in Café Revive’, 2004, available at: www.fairtrade.org.uk

51 Williamson, H., ‘Coffee Industry to agree improved standards’, The Financial Times, 9 September, 2004, p. 13

52 Chambron, A. and Smith, S., Bananas: Towards sustainable production and trade, Paris: Charles Leopold Mayer, 1997, p. 89

53 Orchard et al., Potential for Fair Trade and Organic bananas from the Caribbean, Greenwich, UK: Natural Resources Institute, University of Greenwich, 1998, p. 92

54 Roozen, N. and van der Hoff, F., Comercio Justo, Amsterdam: Uitgeverij Van Gennep, 2003, p. 53

55 Jain et al., Are bananas the new coffee?, study prepared for TransFair USA, Palo Alto, CA: Stanford University Business School, 2003, p. 45

Importing

Ripening/distribution

Source: Nicholls and Opal, 2006

The intense price competition amongst MNCs to gain supermarket business has resulted in their moving sourcing away from high-wage unionized countries like Costa Rica and Panama to Ecuador, Brazil and Cameroon, where wages are lower, labor laws loosely enforced and working conditions are poor⁵⁶. Ecuador has become the world's largest exporter by ensuring that its prices are only 40 to 60 per cent of the price for bananas from Central America⁵⁷. Even where unions do exist, increasing indirect sourcing on the part of MNCs reduces their power to negotiate better wages and working conditions. Farm prices increasingly depend on the power farm owners have vis-à-vis the MNC to set prices⁵⁸, creating an oligopolistic buying situation and discriminating against small plantations and small farmer co-operatives. The result has been an average annual decline in the real price of imported bananas of 1.4 per cent between 1973 and 2001.

Human Rights Watch, a New York-based NGO, found that on Ecuador banana plantations "the wages of two working and fully paid adults may not be sufficient to provide for their family, in which case, the added salary of a child may be sought to supplement the family's income"⁵⁹. The investigation of working conditions on banana farms found children working in hazardous conditions, exposed to pesticides, heavy labor and even sexual harassment.

In 1996 consumer activists in Europe turned to the Fair Trade coffee model for a consumer choice-based solution to the problems faced by the world's small banana farmers and farm workers. The model designed by AgroFair can be applied to both co-operatives of small family farmers and plantations that employed farm workers⁶⁰.

56 EIU, Economist Intelligence Unit, 'UK food: price war going bananas', executive briefing, London, 4 August, 2003

57 Otis, J., 'Fruitless labor: ruled by fear banana workers resist unions', Houston Chronicle, 14 September, 2003, 1A

58 Smith, A., Marketing Fair Trade bananas in an Unstable banana economy, Norwich: Banana Link, 2004, p. 77

59 Human Rights Watch, Tainted Harvest: Child Labor and obstacles to Organizing on Ecuador's banana plantations, New York: Human Rights Watch, 2005, p. 15

60 Roozen N. and van der Hoff, F., Comercio Justo, Amsterdam: Uitgeverij Van Gennep, 2003, p. 60

Figure 2-4: Fair Trade banana supply chain – co-operative model

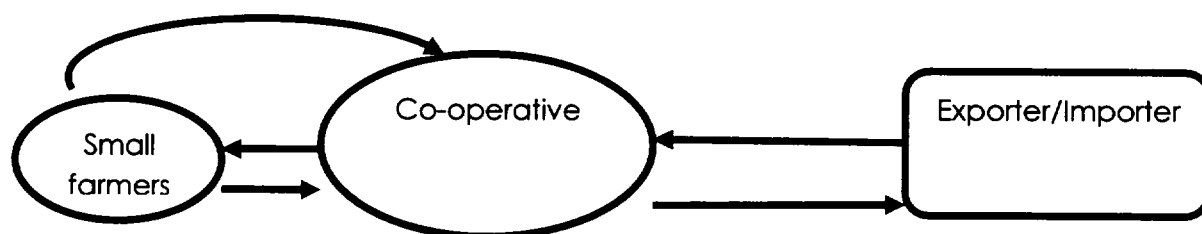
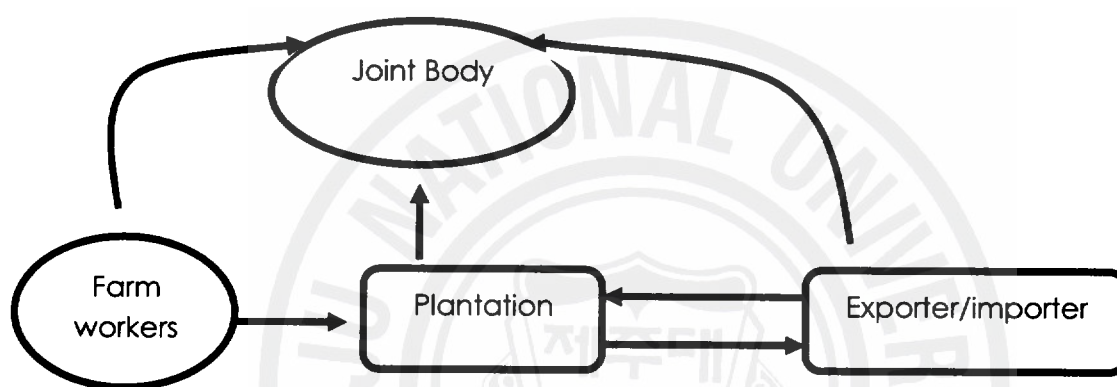


Figure 2-5: Fair Trade banana supply chain – plantation/farm worker model



Source: Nicholls and Opal, 2006

Small farmers who do not produce enough to export directly sell their bananas to a farmer-owned co-operative, which prepares the bananas for export. The co-operative then either exports independently or sells the banana to an exporter. The importer pays the minimum Fair Trade price (or market price, whichever is higher) and the social premium directly to the co-operative. The co-operative then returns some income to the producers and retains the rest for development projects, business capacity building, technical improvements, organic certification and other co-op projects. The farmer-owners of the co-operative vote how much of the Fair Trade income they would like distributed as opposed to retain in the co-op, and also vote for what projects they would like to see implement.

In the model for plantations, the importer or exporter works with a plantation that has been inspected to ensure that working conditions and wages comply with Fair Trade standards. The importer must pay the Fair Trade minimum price (or market price, whichever is higher) to the plantation, so that it earns enough to cover the costs of complying with the Fair Trade labor and environmental standards. The importers pay the social premium directly to a worker-controlled group called a “Joint Body”, rather than to the plantation owner. The Joint Body is elected by the farm workers and controls the

distribution of the social premium, which must be spent on community development projects to benefit the farm workers and their families⁶¹.

There is no doubt, Fair Trade's entry into the European banana market has transformed the global banana industry. The success of Fair Trade fruit, particularly in the UK and Switzerland, has forced the multinational banana companies to consider offering Fair Trade or some other form of socially responsible fruit. Fyffes, the world's fifth-largest banana importer, registered with FLO to offer Fair Trade bananas to European retailers. Dole and Del Monte are pursuing Social Accountability International certification for their company-owned farms in response to growing pressure from educated consumers and retailers⁶².

ATO corporate structure:

In the light of conducted research, it's possible to divide all existing ATOs into two main groups according to their corporate structure.

1. Many ATOs were originally found by charities or religious groups (for instance, Gepa in Germany, Traidcraft in the UK and SERRV and Ten Thousand Villages in the USA) and consequently many are non-for-profits. In 2000, 38 per cent of the members of the Fair Trade Federation, the ATO membership organization in North America, were not-for-profits⁶³. A variant on this model is for not-for-profits to hold guardian shares in a for-profit ATO, to ensure that the social mission is not compromised. Traidcraft PLC and Cafedirect, for example, recently issued share offerings, but public shareholders have limited voting rights and charities retain a major part of shares.
2. Producer ownership is another feature of the corporate structure of many ATOs. For example AgroFair in the Netherlands is 50 per cent owned by fruit co-operatives, with the remainder in the hands of a Dutch non-for-profit⁶⁴.

Of course other models of ATO corporate governance exist as well, for instance privately held AlterEco in France. ATOs have experimented with several models of corporate governance, to prove to traditional companies that for-profit companies can be structured in a different ways. Several ATOs

61 Nicholls, A. and Opal, S., op. cit., p. 93

62 Ben Huyghe, AgroFair's Sourcing Manager, interview, 21 August 2004

63 Fair Trade Federation, Annual report on Fair Trade in the US and Canada, 2002

64 Nicholls, A. and Opal, S., op. cit., p. 96

also aim to act as a trigger for change in their respective industries by proving that products can be sourced in a more ethical way.⁶⁵

In theory, an ATO would be pleased to put itself out of business if it had, indeed, become such a role model that traditional players switched to Fair Trade supply chains⁶⁶. As more mainstream players enter the Fair Trade market, ATOs may consider repositioning themselves, or even exiting if they feel that their goal in changing the rules of trade has been reached.

2.4. The marketing of Fair Trade

Driven by a widespread increase in “ethical consumerism” which embraces consumer concerns over environmental issues (for example, packaging and waste; organics, genetically modified produce), animal testing, the human element in the retail supply chain and so on, addressing Fair Trade now sits on the strategic agenda of most major European retailers⁶⁷. At the heart of the marketing of Fair Trade is a set of core values based around a reconfiguration of the traditional neo-liberal model of a profitable supplier-consumer relationship and central on the concept of common global citizenship encompassing producers and consumers⁶⁸. Producer and consumer are brought closer together by the information flows that serve to eliminate the distance between them.

Despite the fact that Fair Trade marketing centers on explicitly ethical issues, it needs to be seen as quite distinct from either cause-related marketing or what is broadly known as socially responsible marketing⁶⁹. Although it is clearly socially responsible in its outcomes, Fair Trade marketing does not aim to adapt an existing commercial model to a new Corporate Social responsibility agenda⁷⁰. Rather, Fair Trade marketing aims to articulate the social and economic interconnectedness between producer and consumer in a commercially viable way.

Table 2-3: Dimensions of ethical marketing

65 Redfern, A. and Snedker, P., ‘Creating market opportunities for small enterprises: experiences of Fair Trade movement’, SEED working paper, 30, Geneva: International Labor Organization, 2002

66 Equal Exchange, ‘Fair Trade pioneers welcome competitors in their niche’, press release, 21 September, 2000, p. 1

67 Moore, G., ‘The Fair Trade movement: parameters, issues and future research’, *Journal of Business Ethics*, 53, 2004, pp. 73-86

68 Whatmore, S. and Thorne, L., ‘A typology of consumer responses to cause related marketing from skeptics to socially concerned’, *Journal of Public Policies*, 17(2), 1997, pp. 226-38

69 Pracejus, J. and Olsen, G., ‘The role of brand/cause fit in the effectiveness of cause-related marketing campaigns’, *Journal of Business research*, 57(6), 2004, pp. 635-40

70 Hilton, S. and Gibbons, G., *Good Business*, London: Texere, 2002, p. 84

Marketing approach	Key issue	Example
Socially responsible marketing	Congruence with public perception of Corporate Social Responsibility	Co-operative bank

Source: Nicholls and Opal, 2006

Fair Trade marketing system is built as a vertically integrated marketing model in which producers, wholesalers and retailers act as a unified system with the end-consumer being a key factor in the operation of the distribution channel⁷¹. Successful Fair Trade marketing aims at satisfying both an immediate market demand and, over time, the size of the market through education and campaigning.

The marketing of Fair Trade goods largely avoid many of the usual criticisms of marketing in general, such as: being irresponsible, wasteful, manipulative or overly materialistic⁷².

Table 2-4: The Fair Trade marketing process

Traditional marketing process	Fair Trade marketing process
Select target markets and positioning strategy	Select suppliers/products most affected by market failures
Manage marketing effort	Manage marketing effort

Source: Nicholls and Opal, 2006

The traditional marketing process begins with an analysis of market opportunities centered on consumer demand and competitor activity⁷³, whilst the Fair Trade process starts with identifying the market failures that damage suppliers.

71 Young, W. and Welford, R., Ethical shopping, London: Fusion, 2002, p. 51

72 McDonagh, P., 'Communicative campaigns to effect anti-slavery and Fair Trade. The cases of Rugmark and Cafedirect', European Journal of Marketing, 36(5-6), 2002, pp. 642-66

73 *ibid*, p. 27

In the second stage of the marketing process, the conventional marketer selects the most appropriate and profitable target within the already identified market opportunity and develops a positioning strategy for business communication that maximizes competitive advantage. On the other hand, with Fair Trade marketing the process again focuses not solely on the consumer, but also on the supplier, selecting those cases most in need of assistance and best suited to a Fair Trade approach ⁷⁴.

The third stage of the marketing process is to develop a strategic marketing mix (typically conceptualized as addressing the 4Ps of product, price, place and promotion ⁷⁵. Fair Trade again functions differently from most companies. Of particular importance in Fair Trade marketing is the extended marketing mix ⁷⁶ since this encompasses the additional elements of process, people and physical evidence, in addition to the basic 4Ps.

Table 2-5: The Fair Trade marketing mix

	Traditional marketing strategy	Fair Trade marketing strategy
Price	Minimize cost price	Social premium
Promotion	Competitive positioning	Ethical issues/education
Process	Customer service	Developmental focus

Source: Booms and Bitner, 1981

With the price element of the marketing mix, Fair Trade again stresses the producer by highlighting both the 'Fair' original commodity price and the social premium that is often added to the Fair Trade value chain ⁷⁷. The shelf price of Fair Trade goods is typically not as low as that of their competitors, not is the cost fixed with the aim of maximizing company profits. However, Fair Trade's premium pricing may be changing as supermarkets increasingly introduce own-label Fair Trade

⁷⁴ Nicholls, A., 'New product development in Fair Trade retailing', *Service Industries Journal*, 24(2), 2004, pp. 102-117

⁷⁵ Kotler et al., *op. cit.*, p. 37

⁷⁶ Booms, B. and Bitner, M., 'Marketing strategies and organization structures for service firms', in J. Donnelly and W. George (eds), *Marketing of Services*, Chicago: American Marketing Association, 1981, pp. 32-50

⁷⁷ Porter, M., *On Competition*, Harvard: Harvard Business school, 1998, pp. 76-83

products at more competitive prices and Fair Trade composite products are developed that reduce the final shelf-price by mixing Fair Trade and non-Fair Trade ingredients ⁷⁸.

Table 2-6: Fair Trade marketing communication channels

Communication channel	Example
Sales promotion	Fair Trade Fortnight (annual)
Branding	FLO mark; manufacturer brands (Equal exchange etc.); supermarket own-label products
Internet	www.Ethical-Junction.org ; e-marketing (People Tree, national Fair Trade labeling initiatives)

Source: Nicholls and Opal, 2006

Fair Trade marketing has used the majority of traditional marketing communication channels from advertising to public relations and to direct marketing. The Internet is also being increasingly exploited to spread information and develop campaigns.

There has been a significant shift in the focus of Fair Trade marketing activities during the last ten years in the most developed markets, such as the UK and continental Europe. This development can be seen as moving through three stages that can be conceptualized as: a focus on process; a focus on product; a focus on place⁷⁹.

Table 2-7: Developing Fair Trade marketing communications

Phase 1: process	Phase 2: product	Phase 3: place

⁷⁸ Nicholls, A., op. cit., pp. 102-17

⁷⁹ Nicholls, A. and Opal, S., op. cit., p. 160

Marketing approach	Supplier driven	Market driven	Society driven
Market size	Niche	Multiple segment	Mass market
Marketing strategy	Raise issue awareness, establish core image	Increase product ranges	Localize PR/communications strategy

Source: Nicholls and Opal, 2004

With each phase of marketing communications strategy a new and larger customer segment is targeted. The marketing approach thus begins with a simple conceptualization of Fair Trade as a commodity chain (process), then exploits its structure as a commodity network (product), and finally embraces the marketing opportunities inherent in an actor network analysis of Fair Trade relationships (place)⁸⁰.

2.5. Fair Trade and ethical consumer

The “ethical” consumption has existed for a quite long time and its development could be identified through three ways of consumerism culminating in ethical awareness. The first wave focused on value for money, basic product information and reliable labeling. The second concentrated on consumer safety and manufacturer accountability. The third and more recent, introduced environmental and ethical issues linked to notions of corporate citizenship and social responsibility⁸¹.

⁸⁰ Ibid., p. 161

⁸¹ Lang, T. and Hines, C., *The new protectionism*, London: Earthscan, 1993, p. 34

It is absolutely clear that the market for ethical goods and services is growing fast, its rise is in most cases largely demand-driven. The main questions for the Fair Trade movement are to identify the ethical consumers and then to segment them in order to generate future growth opportunities⁸².

According to the recent researches, the five segments, three of which offer significant opportunities for ethical products and Fair Trade could be unearthed.

Table 2-8: The ethical consumers' segmentation

Segment	Characteristics	Total market share
Brand generation	Ethical issue secondary to brand, but can augment brand value. Young (one third are under 25), often students, tend to rent housing, aware of their power as consumers, but only occasionally use it.	6
"look after my own"	Little ethical motivation. Young on low incomes, high percentage of unemployed, often feel powerless as consumers.	22

⁸² Cowe, R. and Williams, S., Who are the ethical consumers?, Manchester: Co-operative bank/MORI, 2000, p. 42



Source: Cowe and Williams (2000).

The two most promising segments are Global Watchdogs and Conscientious Consumers, accounting for 23 per cent of the total sample. These figures broadly agree with data from the USA that suggest that 23 per cent of consumers may be categorized as “LOHAS” or “lifestyles of health and sustainability”⁸³. In addition, the largest grouping – “do what I can” – also has some potential. In total ethical products could reasonably target a possible market of up to 72 per cent of the population in developed countries.

However, in spite of existence of a substantial potential market for ethical goods, which would not be an exaggeration to estimate as three quarters of the population, accessing the full potential of this market is still difficult and will require co-ordinated and strategic thinking from the supply side to be able to face competitive forces that may slow down or even stop continued exponential growth.

The general profile of typical Fair Trade consumer – at least in terms of awareness of the certification mark – fits closely with the characteristics of “Global Watchdogs” segment. According to a recent Fairtrade Foundation/MORI weighted survey of over 2000 consumers⁸⁴, the Fair Trade awareness remains highest amongst the “AB1” demographic group (at 54 per cent) characterized by well-educated and affluent consumers. Awareness is also highest amongst 45-54-year olds (47 per cent). In common with other survey work on ethical consumption generally⁸⁵, women (42 per cent) are more likely than men (35 per cent) to be aware of the Fair Trade mark. Thus, the idealized Fair Trade consumer is a middle-aged, affluent and degree-educated woman.

However, there is also an evident growth in awareness amongst younger people and consumers on lower incomes. The former are mainly students often trying to implement Fair Trade practices in real life by holding campaigns on their campuses. There are a lot of Universities in Europe

83 McLaughlin, K., ‘Food World’s new buzzword is “sustainable products”’: Fair Trade certified mangoes, Wall Street Journal, 17 February, 2004, A7

84 Fairtrade Foundation/MORI, Consumer Awareness of Fair Trade survey, available at: www.fairtrade.org.uk, 2004

85 Mintel, Green and Ethical consumer survey, London: Mintel, 2004

and the US that one by one became certified as a “Fair Trade University”, thanks to their students’ active position⁸⁶.

The Fairtrade Foundation identified four levels of target consumer: core Fair Trade supporters; partial adopters; occasional conscience buyers; well-wishing bystanders.

Table 2-9: Fair Trade consumers

Fair trade Foundation (2003)	Cowe and Williams survey (2000)
Partial adopters	Conscientious consumers
Well-wishing bystanders	“do what I can”

Source: Nicholls and Opal, 2006

This confirms that there will always be a group of consumers who may never be prepared to accept Fair Trade, even if it is fully involved into the mainstream. Key reasons for their rejection of Fair Trade might include its price premium or the influence of individual attitudes (such as personal or political objection to, or mistrust of, Fair Trade principles).

From the research, it appears that two of the prime aims of Fair Trade marketing communications – to raise issues awareness and to build the Fair Trade mark as a brand symbol – are gradually proving to be effective⁸⁷.

Table 2-10: Public responses to the Fair Trade mark

	2001	2002	2003	2004
Understands meaning of the Fair Trade mark (of the proportion who recognize the mark)	19%	24%	33%	42%

Source: Fairtrade Foundation/MORI (2004)

Consumer perception has been changed from seeing Fair Trade products as marginal and poor quality to viewing them as mainstream and high quality as products have grown out of charity shops/alternative trade organizations/church context into high street supermarkets and up-market coffee houses. For the future, there are several marketing strategies for Fair Trade to pursue in order to

⁸⁶ www.fairtrade.com

⁸⁷ Nicholls, A. and Opal, S., op. cit., p. 189

maintain current levels of growth and exploit the significant untapped market represented by the “well-wishing bystanders/do what I can” consumer segment ⁸⁸.

2.6. The Global Fair Trade market

Fair Trade now spans more than 390 producer organizations in 58 countries in Asia, Africa and Latin America, representing over 800,000 farmers and workers and their families. There are over 100 Fair Trade import organizations working with producer groups providing goods to consumers via over 45,000 sales outlets worldwide ⁸⁹. It is estimated that over 5 million people are benefitting from Fair Trade globally ⁹⁰.

A change of strategy can also be seen, which re-examine the potential of local Southern hemisphere markets to reduce producer reliance on export Northern markets. Targeting local markets for Fair Trade offers an innovative grass-roots strategy to maximize the Fair Trade supplier base in a highly cost-effective way, as it does not rely on the intervention of Northern hemisphere wholesalers or retailers. Regional Fair Trade partnerships such as the Asia Fair Trade Forum have an important role to play in supporting a dual track approach to market development that both engages with the Fair Trade Labeling Organizations International’s (FLO) registration and grows demand closer to home⁹¹.

Table 2-11: Largest national markets for Fair Trade 2001-2002

Sales				
Austria	3.8	12-18.1	3000	219-381
Canada	6.6	9.9	N/A	67
France	21.7	33.7	9700	55

88 Nicholls, A., op. cit., pp. 102-17

89 PWC, PriceWaterhouseCoopers, Governors of the World Economic Forum for Retail and Consumer goods, London: PriceWaterhouseCoopers, report, 2002

90 Fair Trade Foundation, report, 2004a, available at: www.fairtrade.org.uk/about_sales.

91 Nicholls, A. and Opal, S., op. cit., p. 192

Italy	8.1	10.7	3200	30
Japan	46.4	57.9	N/A	25
UK	90.4	112.8	8270	25

Source: Leatherhead Food International (2003) and Krier (2001)

Fair Trade products are distributed through four main channels: high street shops, catering, mail order and the Internet.

Table 2-12: Fair Trade distribution

Distribution channel	Example
ATO	Oxfam (UK), Eza 3 Welt (Austria), Gepa (Germany)
Supermarket	Co-operative group (UK), Migros (Switzerland), Albert Heijn (Netherlands), Monoprix (France), Albertson's (USA)
Mail order	Traidcraft (UK), Equal Exchange (UK and USA), People Tree (Japan)

Source: Nicholls and Opal, 2006

The first of these represents the traditional home of Fair Trade, reflecting its charity/campaigning origins and typified by Oxfam shops in the UK. The second group of specialist health food shops treats Fair Trade as an example of sustainable development. A third grouping of multiple supermarkets is the most recent to engage with Fair Trade and reflects the increasing mainstreaming of demand for such products. Catering distribution of Fair Trade is one of the major opportunities for future sales growth. This market includes not only coffee shops and restaurants, but

also institutional contexts such as public buildings, Universities and workplace canteens⁹². Mail order distribution has a long history; nowadays many mail order distributors also have transactional web sites, such as 'Traidcraft and Equal Exchange. An interesting development on the Internet has been the emergence of ethical shopping portals such as Ethical Junction (www.ethicaljunction.org) and Ethical Shopper (www.ethicalshopper.co.uk). These portals not only give on-line consumers' access to Fair Trade, but also act as low-cost marketing tools for the idea of Fair Trade, combining product information with raising awareness and educational material.



92 Ibid., p. 197

3. The impact of Fair Trade

In previous chapters we have already noticed that Fair Trade has two basic incentives: 1) the need to be sustainable (achieved by working with for-profit business), and 2) the need to have a development impact on producers. If there is no impact on producers to demonstrate, consumer brand trust and loyalty in the Fair Trade model would disappear and the whole system would fall apart. The practice of Fair Trade faces many challenges especially in the relationship between producers and the Fair Trade organizations; in particular, the question who should supply the Fair Trade market and provide appropriate support to producers is permanently in the Fair Trade companies agenda. More recently the impacts of Fair Trade and the necessity of measuring them were questioned as well. Demonstrating development impact on Fair Trade producers is also important for the Fair Trade movement as a whole if it wants to continue to receive investment and support from the international development community⁹³.

Furthermore, effective impact assessment measurement allows not only see projects in retrospective, but can also influence future strategic decision making, as convincing impact statistics both justify and critique past actions.

3.1. Fair Trade producers

Before talking about impacts on producers, it is seemed to be important to understand who Fair Trade producers are. In general, there are two main divisions: food and non-food products. Following this, within the food category primary commodities and processed products made by the producer groups may be distinguished. As to the non-food category there is considerable diversity of products which are largely represented by hand-made crafts but can also include textiles and garments. The most common form of organization amongst both food and non-food Fair Trade producers is a marketing co-operative, which, however, can take forms from a formally registered structure with over 50,000 members (like East Africa coffee co-operatives) to a poorly structured group of women coming together to market embroidered cloth. In some cases Fair Trade producers however might be organized as companies, such as the plantations supplying Fair Trade bananas in Ghana and socially-aware businesses selling to Traidcraft. Through analyzing the living conditions of farmers, it was

⁹³ Udomkit, N. and Winnett, A., 'Fair Trade in organic rice: a case study from Thailand', *Small Enterprise Development*, 13(3), 2002, pp. 45-53.

found that Fair Trade producers are not necessarily the poorest in a country or region, for example cocoa producers in Ghana or Kilimanjaro coffee farmers selling to the Fair Trade market may be considered relatively resource-rich in a country or regional context⁹⁴.

It seems important for us to notice that while there are some Fair Trade links appeared as a result of the efforts of a group of people who wish to earn a living through production for the market and who, with the assistance of a Fair Trade organization, finds the most appropriate products to produce taking into account the capital assets of the people and an understanding of the markets; more frequently, Fair Trade relationships start with a commodity or product and an understanding of the market and then make attempts to find appropriate producers.

In one of the researches we studied made by Humphrey (2000)⁹⁵, she makes a contrast between producer and market led trade and argues that in reality Fair Trade does both, even though in the past Fair Trade was largely about finding an outlet for what the producer could supply. Now Fair Trade tends to make a more difficult balance between trading success and targeting groups based on the need for social benefits which is where so called 'creative tensions' come in. For example, the need for quality and reliability may conflict with the desire to benefit the poorest or the skills and resources available to poor communities may not necessarily fit market opportunities. The risk of making producers dependent on the Fair Trade linkage conflicts with the wish to develop a good long-term relationship with a reliable supplier. A recent study for Oxfam highlighted the extent to which many producers are dependent on the Oxfam Fair Trade Company orders: 44% of the groups studied sold at least half of their produce to Oxfam Fair Trade Company and where groups had become less dependent on Oxfam they tended to diversify sales to other Fair Trade buyers⁹⁶. Only a limited number of Fair Trade producers, especially in crafts, appear to be able to move from the Fair Trade market to the conventional market. The creation of dependency appears to be a real problem in Fair Trade, which Oxfam has decided to tackle by helping some producers focus on domestic marketing opportunities (per com) and Traidcraft, in its turn, is exploring ways in which marginalized producers can operate in the mainstream export market⁹⁷.

94 Oxford Policy Management, Fair Trade: Overview, Impact, Challenges. Study to inform DFID's Support to Fair Trade, June 2000

95 Humphrey, L., Which way to market? Exploring opportunities for marginalised producers in developing countries to supply mainstream commercial companies in the UK. Traidcraft Policy Unit Report Series No. 1, Traidcraft Exchange, London, 2000

96 Hopkins, R., Impact Assessment study of Oxfam Fair Trade, Oxford: Oxfam, 2000, p. 23

97 Humphrey, L., op. cit.

In this light, Fair Trade organizations when making a decision on strategy to use need to be clear about the kind of producer involved, the different kind of partnership with them and kinds of impact that partnership may result.

3.2. Livelihoods and Fair Trade

While looking for the theoretical base for the thesis we discovered that only few studies exist that have looked beyond the members of the producer organization to undertake a stakeholder analysis. Exceptions include a series of studies undertaken by NRET which explored the ethical trade, including Fair Trade in cotton, bananas and dried fruit using the sustainable livelihoods framework (summarized in NRET 1998) and the more detailed social impact assessments of Fair Trade in cocoa and brazil nuts in Ecuador and Peru respectively, also undertaken by NRET ⁹⁸.

Some would argue that it is beyond the scope of Fair Trade organizations to undertake stakeholder analysis and consider the impact of the relationship on groups with which it is developing a partnership. Others also argue that conventional trade does not have to consider stakeholders beyond the primary stakeholder and so it is not fair to expect Fair Trade and its producer partners to do so. Of course it is not necessarily that business ignores other stakeholders, as some businesses that are aiming to adopt a more responsible approach, acknowledge their impact on society beyond primary stakeholders. Even if these businesses are few and far between, greater consideration of a wider group of stakeholders may be a useful risk-minimizing strategy that enables the trading relationship to be more sustainable. By using the sustainable livelihoods framework it is possible to see more clearly those aspects of Fair Trade that contribute to sustainable livelihoods and those that may limit the developmental impact.

The sustainable livelihoods lens helps one suggest additional inputs, as well as building up export capacity of specified groups of producers, that may ensure that the development impact is maximized⁹⁹. Thus it may be 'more accurate to say that successful Fair Trade benefits small producers in poor countries' as opposed to saying that Fair Trade benefits the poor¹⁰⁰. Some successful Fair Trade projects have benefited some (normally wealthier, male) producers rather than achieving equitable distribution of benefits throughout the community. More critically, there are actual and potential negative impacts, particularly for those unable or unwilling to participate, and initiatives are weak in targeting certain disadvantaged groups. The single-commodity focus of Fair Trade does not

98 Nelson, V. and M. Galvez, *Social Impact of Ethical and Conventional Brazil Nut Trading on Forest-Dependent People in Peru*. London, NRI/NRET, 2000, p. 23

99 Nelson, V. and M. Galvez, *op. cit.*, p.26

100 NRET, *Natural Resources and Ethical Business, Guidance Documentation for DFID RLED Advisors*. Chatham: Natural Resources and Ethical Trade Programme, Natural Resources Institute, 2000

encourage sustainable natural resource management practices, where for the producer household that commodity may be just one part of a diverse production system¹⁰¹. In some cases, Fair Trade criteria for example for cash crops such as coffee do not consider labor relations within the smallholder household, and do not aim to focus on the gender division of labor at the household level. So, one could criticize Fair Trade for such a socially blind and gender blind attitude and failing to deal with the social injustice based on gender inequality. Nowadays, there appears to be increasing pressure within the Fair Trade movement for gender issues to be addressed more thoroughly. The partnership approach and importance of ensuring the autonomy of producer groups means that it can be difficult for ATOs to impose particular social practices on producer groups.

In spite of existing weak points, in the whole, Fair Trade has been associated with some significant achievements, and has been a catalyst that can bring 'together diverse stakeholders in developing and developed countries, many of whom may not have previously considered themselves to have had a development function'¹⁰². Perhaps one of the biggest impacts of Fair Trade is the influence that it has had on commercial behavior, leading market players to rethink their trading practices and who they buy from. Whilst the more empowering elements of the Fair Trade approach are not always taken on board, the different needs of smallholders in terms of meeting ethical standards is increasingly being considered.

3.3. Frameworks for impact assessment

Because of the multiple objectives of Fair Trade, assessing the impact of Fair Trade is proved to be rather difficult, and the problems such as identifying the stakeholders to be included and developing a framework that is both comprehensive enough and efficient do not make the task easier. So, only few Fair Trade organizations have had the resources to undertake such assessments without outside financial assistance, that in its turn explains why there is still not many impact assessment studies available.

An important step in the development of impact assessment methodologies is to explore the way in which benefits from Fair Trade differ from or are the same as other kinds of linkages between smallholders and the market. Until now, there has been no attempt to assess whether Fair Trade is a more cost-effective means than other trade links (or indeed other developmental approaches) for delivering benefits to smallholders. Though everybody recognizes that evidence that Fair Trade offers greater developmental benefits would potentially enable donors to channel more resources to

101 Nelson, V. and M. Galvez, op. cit., p. 23

102 NRET, Natural Resources and Ethical Business, Guidance Documentation for DFID RLED Advisors, Chatham: Natural Resources and Ethical Trade Programme, Natural Resources Institute, 2000

supporting Fair Trade linkages. The actual benefits from Fair Trade relationships however, are now becoming clearer and there is greater understanding of the major outcomes from Fair Trade relationships and for which producers.

Attempts by Fair Trade organization to develop impact assessments include a study commissioned by Oxfam on the impact of its Fair Trade program on the standard of living of handicraft producers and their families that aimed to pilot qualitative and quantitative impact assessment methodologies¹⁰³; an evaluation of the FLO model focusing on coffee commissioned by FLO and a study by the large German Fair Trade organization GEPA to inform decisions about support for Fair Trade partners. Donors such as DFID are interested in Fair Trade and following an initial study to scope Fair Trade in food commodities, specifically cocoa and coffee¹⁰⁴, it has commissioned an assessment of Kuapa Kokoo in Ghana (supplier of cocoa for the Day Chocolate Company, in which it has shares) and the development of a methodology for assessing the impact of Fair Trade¹⁰⁵.

The Mayoux study (for the Department for International Development) emphasizes the importance of seeing impact assessment as part of the process of strategic development of the relationship between the producer and Fair Trade buyers. This is contrasted with some assessments of Fair Trade which have largely been undertaken from the point of view of the donor who is assessing whether its investment has been put to good use (e.g. DFID-commissioned studies of Traidcraft partners which have largely been output to purpose reviews¹⁰⁶) rather than a key element of strategic planning in which the producer organization is actively involved. Mayoux proposes a framework for assessing the impact of Fair Trade that is very broad, including a range of economic, social, political and environmental criteria that are embedded in a clear understanding of the context and which stresses the need for participatory approaches (which may be different at different points in the impact assessment process). However, she also recognizes the need to be clear on the type of intervention that is being assessed. Overall she argues that impact assessment should be linked to 'building up of a

103 Hopkins, R., *Impact assessment study of Oxfam Fair Trade*, Oxford: Oxfam, 2000, p. 27

104 Oxford Policy Management, *Fair Trade: Overview, Impact, Challenges*, Study to inform DFID's Support to Fair Trade, June 2000

105 Mayoux, *Impact assessment of Fair Trade and Ethical enterprise development*, available at: www.enterprise-impact.org.uk, 2001, section 2

106 James, R., *Zambili Output to Purpose Review*, Report for Department for International Development. Oxford: INTRAC, 1999.

sustainable participatory monitoring and evaluation system' and include 'capacity building of producers themselves and also where feasible communities'¹⁰⁷.

Mayoux has set a huge challenge for impact assessment. Whilst the framework proposed aims to make a link between learning in Fair Trade organizations and building capacity in producer organizations, it is mainly aimed at donors so that they can assess the development impact of their inputs into Fair Trade relationships and perhaps compare this with outcomes from other interventions. It is important to distinguish between frameworks that can be used by Fair Trade organizations themselves as a tool for learning and capacity building and those frameworks employed by observers. However the 'observer' frameworks may also highlight important issues for Fair Trade organizations such as the potential limitations of Fair Trade and ways of maximizing benefits for all relevant stakeholders.

However, the most comprehensive study by a Fair Trade organization seems to be that commissioned by Oxfam which recognized the need to monitor progress in relation to the standard of living of producers and explore methods for collecting relevant information in an effective way. The study was therefore conducted on a pilot basis and covered eighteen producer groups in seven countries and examined income and livelihoods, capacity building, gender and the environment. Overall impact was positive for producers, especially in terms of income and skills development, but noted that some categories of producer benefited more than others. Key issues that emerged from the study were the extent of dependency and vulnerability of producers and the need for Oxfam to develop a strategy for how the Fair Trade relationship should evolve¹⁰⁸.

Some studies on Fair Trade suggest that the financial impact of Fair Trade is less than might be expected from Fair Trade publicity material, especially where Fair Trade sales only make up a small proportion of total market output. In general, the main contribution of Fair Trade to many of the groups studied is the development of capacity¹⁰⁹. Oxford Policy Management's case studies of Kuapa Kokoo and KNCU in exporting cocoa from Ghana and coffee from Tanzania respectively, highlight the importance of the link with Fair Trade organizations for the development of business and technical skills, especially for enabling these co-operatives to provide opened market information.

107 Mayoux, L., Case study: Kuapa Kokoo, available at: www.enterprise-impact.org.uk, 2001, p. 27

108 Hopkins, R., *op. cit.*, p. 31

109 Robins, N., Roberts, S. and Abbot, J. (1999) *Who Benefits? A social assessment of environmentally-driven trade*. International Institute for Environment and Development, London. 1999, p. 29

It is a fact that many of the benefits from Fair Trade that have been recorded are indirect in nature. Twin Trading which works closely with the coffee co-operatives in northern Tanzania argues strongly that Fair Trade helps ensure the continued existence of co-operatives and that farmers are likely to benefit from co-operatives in a variety of ways, whether they are members and sell to societies or not¹¹⁰. Talking more specifically, the action of the Tanzanian co-operative union export offices in the auction had an effect on the general level of auction prices, which finally benefit all farmers. This is seen by some as a powerful argument for continued and increased support of the co-operatives in East Africa, especially the larger organizations that have the capacity and experience to operate effectively in the auction. In addition, some qualitative benefits such as increased confidence of the export managers, as a result of their experience in the auction have been noted. Even strong pro-free market activists agree that the existence of co-operatives can act as an important countervailing power to other private sector businesses and thereby protect farmers from unfair trading practices.

Similarly, in the study of cocoa producers in Ecuador by MCCH it was argued that improved prices offered by Fair Trade have meant that other traders are offering higher prices, to the extent that the premium offered by MCCH at the beginning is no longer as significant as it was. The extent of these indirect benefits and conditions under which they may extend to the wider farming community are worthy of more detailed study. In addition, some producer groups that started with Fair Trade, as those supported and studied by MCCH, have gone on to compete successfully in the conventional market, not least because supply exceeded demand from the Fair Trade buyer.

3.4. Fair Trade and development impact

Even though it was said that the amount of researches of impact assessment is not enough, in compare with previous decade the last couple of years were marked by the increased activity in that sphere, partly because of the increased public interest on Fair Trade, with the rise of the Ethical Trading Initiative and the efforts of big corporations to demonstrate that they are socially responsible. The three main reasons why Fair Trade organizations are being encouraged to pursue impact assessment are: 1) the necessity to be accountable to donors that invest in Fair Trade-related projects, 2) the interest in developing systems to assess and demonstrate their impact for developing both their own and partners' learning and to improve the effectiveness of their business, and, finally, 3) certification for Fair Trade labeling requires the development of monitoring systems.

110 Tallontire, A., 'Challenges facing Fair Trade: which way now?', *Small Enterprise Development*, 13(3), 2002, pp. 12-24

According to Ronchi, the potential social impacts of Fair Trade can be divided into direct impact on producers and their organizations, and indirect impact that Fair Trade's support of co-operatives has on co-operative members, non-member producers, other co-operatives and other organizations¹¹¹.

Direct impact on participants

Direct impacts of Fair Trade on producer groups include:

- Higher income;
- Improved education;
- Preserving cultures; and
- Psychological effects such as producer empowerment, female empowerment and following effects on civic participation.

The first finding that was spotted in all researches dedicated to the impact assessment is producers' income to be higher when selling to the Fair Trade market, which can be explained by Fair Trade certification guarantee of a higher-than-market price to producers. According to some reports, Fair Trade coffee co-operative members earned on average 39 per cent more than non-co-operative members, and 25-60 per cent more than they would have earned from local middlemen operating the region.

In the extremely impoverished conditions in which many Fair Trade producers live and operate, income that appears small by Northern standards can represent a significant difference. For instance, when several income benefits from ten years of cooperation between Fair Trade and the Coo cafe coffee export co-operative in Costa Rica were measured, it resulted in certain development projects such as a \$25,000 investment in organic fertilizer production facilities and \$3.5 m invested in environmental improvements, including organic conversion and certification.

The second not less important factor is women empowerment, because women generally control household nutrition and extra income in their hands often means better-fed children, the most vulnerable of household members. Consequently, several case studies, we overlooked, took a closer focus at the impact of Fair Trade on the livelihoods of women and found out that payments to Fair Trade smallholders and co-operative members usually goes to men, although women may be participating more in Fair Trade production¹¹². We would like to stress that women's involvement

111 Ronchi, L., op. cit., p. 7

112 Mayoux, L., op. cit., section 2

with Fair Trade agricultural production is a very complicated and controversial problem, as their participation does not usually exempt them from household duties and a women's workload can often increase after she becomes involved with export cash crops. Some Fair Trade co-operatives realized that things have to be changed and started projects that focus specially on women, for instance women's savings groups, and have diversified their income sources through marketing products created solely by women. The women's projects instituted by coffee co-operatives are generally focused on activities outside the coffee sector, both income-generating (textile production and marketing) and non-commercial (organic farming projects)¹¹³. Some, but very few, co-operatives, such as Kuapa-Kokoo, have specific requirements regarding women's participation in governance. However, in spite of attempts to ease the life of women it is appeared that Fair Trade's role in increasing female empowerment and improving their livelihoods is not significant. FLO's Fair Trade standards protect women from discrimination in the workplace and in obtaining co-operative membership, but do not require pro-active female empowerment initiatives.

Another direct impact of Fair Trade benefitting vulnerable members of the community is extra spending on education. The fixed higher Fair Trade price allowed the majority of co-operative members, who for the most part have not completed even middle school education, to hire workers to harvest their crops, freeing their children to attend school. Some studies found that co-operatives, for example Coocafe in Costa Rica, often fund scholarships and university scholarships to help children to get better education¹¹⁴. Nevertheless, there are also researches that showed different results, bringing doubts whether rural schools are worth the investment by Fair Trade farming families. Some schools in Ghana record a zero per cent success rate in final examinations, so some parents refused to pay school fees and to send their children to school as they couldn't see any progress in their education¹¹⁵. Most impact studies though showed that Fair Trade farmers and workers highly value their children's education and many choose to spend their income on school fees, or vote to create scholarship funds using Fair Trade social premia.

A beneficial impact on self-esteem, feeling of economic security and the pride of farmers involved in Fair Trade networks were found almost in all studies, as farmers take great pride in the

113 Murray, D., Reynolds, L. and Taylor, P., 'One cup at a time: poverty alleviation and Fair Trade coffee in Latin America', Colorado State University, Fair Trade Research Group, available at: www.colostate.edu, 2003, p. 14

114 Ronchi, L., op. cit., p. 14

115 Berlan, A., 'Child labor, education and child rights among cocoa producers in Ghana', in C. van der Anker (ed.), *The political Economy of slavery*, New York: Palgrave Macmillan, 2004, p. 164

strength of their co-operative and feel empowered by controlling the production and market chains¹¹⁶. The increased attention to their farming – including the visits of Fair Trade and organic inspectors, buyers, and even visiting Northern consumers – promoted renewed pride in coffee farming¹¹⁷.

Some studies, however, found that producers were not always aware of the importance Fair Trade markets play in their lives: for example, summary of seven case studies found that producers accept organic production impacts more easily than Fair Trade impacts, because organic production to them related more to the farming activities. Quite often, Fair Trade certifiers were mistaken with organic certifiers, usually because co-operative management present higher incomes and direct relationships as measures of the co-operatives success to increase member loyalty, rather than emphasizing the role of the Fair Trade market.

Indirect impacts of Fair Trade on participants

- Improved relationships with Northern Organizations; and
- Benefits delivered to Fair Trade groups through direct trade relationships and support for co-operatives and progressive plantations.

Impact assessment researches show that direct trade transactions and extended support from Fair Trade organizations help co-operatives to act more effectively when dealing with large buyers such as Starbucks and Carrefour. Visits from Northern buyers created positive impacts on self-esteem (as been noted before) and stimulated improvements in non-Fair Trade market relations, as market information provided by Fair Trade contacts made farmers more confident in doing business with non-Fair Trade buyers¹¹⁸. Examined co-operatives were also better able to access development funds and felt that they had had an easier access to bank credit because of the credibility they get from being associated with Fair Trade, well-known for its strict monitoring system.

Co-operative structure provides many opportunities for individuals to grow through participation in different civic projects and leadership development. Members of co-operatives in a lot of cases discuss not only issues connected with crop producing but also more general concerns regarding government programs, technical education, land tenure, religious festivals and other social activities¹¹⁹. An easy example is Guatemalan case study pointed out that farmers and workers

116 Mayoux, op. cit., section 2

117 Murray, D., Reynolds, L. and Taylor, P., op. cite., p.8

118 Ronchi, L., op. cit., p. 9

119 Taylor, P., Poverty alleviation through participation in Fair Trade coffee networks: Synthesis of case study research questions and findings, available at: www.colostate.edu, 2002, p. 11

understood the environmental and health danger of waste accumulation and helped the town governments organize a garbage collection programs.

Case studies of Mexican, Salvadoran and Guatemalan coffee producers indicate that Fair Trade certification actually addresses the weakness in the participating co-operatives' democratic processes¹²⁰, by requiring transparency in co-operative finances and governance. Fair Trade also supports plantations with progressive labor relations by lending legitimacy to estates that fit the requirements¹²¹.

As a conclusion we would like to summarize that Fair Trade provides an international recognition for those organizations that treat their workers exceptionally well, including a guaranteed export price adjusted to meet labor standards and provide extra social premia to the workers. Even though in most cases co-operatives are far from being perfect, they do appear to have beneficial effects on social capital development and civic participation. Finally, Fair Trade appears to benefit producers in their non-Fair Trade transactions through access to information and reputation enhancement by being involved with the Fair Trade movement.

120 Murray, D., Raynolds, L. and Taylor, P., op. cit., p.3

121 Blowfield and Gallet, Volta River Estates Fair Trade Bananas Case Study. University of Greenwich: Ethical Trade and Sustainable Livelihoods Case Studies Series. Available at: www.nri.org/NRET, 2000, p. 5

4. New opportunities for Fair Trade in the future

As one of the conclusions from this research it is possible to state that nowadays Fair Trade movement finds itself at a turning point. After years of functioning as an effective alternative trading mechanism, Fair Trade is now entering the mainstream, trying to balance being 'in and against' the market. The engagement of multinationals like Procter and Gamble and Starbucks and major retailers such as Tesco and Carrefour clearly signals the commercial opportunity represented by Fair Trade¹²². However, as it follows from the impact assessment researches, future development remains highly contested and challenged by many internal and external factors. Thus, in this last chapter, we tried to define those challenges and suggest some key strategies for Fair Trade organizations to improve present state of things and pursue their further development.

4.1. Challenges Fair Trade faces today

In order to continue with the possible frameworks for future development it is necessary to describe the present situation of the Fair Trade movement as a summary of some strong key points:

- Fair Trade sales are growing fast globally to over \$895m in 2003 and this growth looks set to continue;
- If the potentially huge US market matches the growth rates in more established markets, Fair Trade sales could increase by a factor of 20 or more in the next few years;
- Fair Trade is now in the mainstream in many countries with increasing levels of public awareness and multinational company involvement;
- Fair Trade is not about charity or aid, but about using trade relationships to achieve economic development and empowerment;
- Fair Trade addresses economic and social market failures effectively;
- Fair Trade reconfigures the value chain to the advantage of producers, often via reducing multiple mark-up inefficiencies and cutting out exploitative middlemen;
- Fair Trade delivers genuine and measurable benefits to producers around the world;
- The Fair Trade model proved to be financially sustainable and Fair Trade companies are now attractive to a range of investors;

122 Welford et al., 'Fair Trade as a strategy for international competitiveness', *International Journal of Sustainable development and World Ecology*, 10: pp. 1-13, 2003

- Certification and audit mechanisms ensure the integrity of the Fair Trade process and have built up consumer trust;
- The success of Fair Trade is helping to catalyze a significant shift towards more ethical trading across many sectors;
- Fair Trade is increasingly consumer-driven as well as activist-led and producer-focused.

However, all the above mentioned led as to a summarizing of some important challenges that need to be addressed, as, nowadays, new opportunities for growth are constantly emerging and it seems to be crucial to explore and if possible to apply the best strategies in the most productive way. Those challenges can be divided into 1) threats from within and 2) threats from outside.

1) Threats from within:

At present moment, Fair Trade market growth is such that allows almost all new entrants to be easily accepted, because any increase in overall volume can only be seen as a benefit to producers. This approach is strikingly different from traditional competitive theory according to which every company aims to capture the biggest share of the market and move to complete monopoly. However, as Fair Trade continues to grow and expand into the mainstream, there is a concern that the activists and campaigners will drop out as becoming disillusioned with the Fair Trade certification system.

Another potentially threatening issue is the criteria for Fair Trade certification. At the present, there are two sets of Fair Trade products and two sets of Fair Trade producers: those with FLO accreditation and those without. So, the suggestion is for Fair Trade certification to bring all participants under the same one for all mark. However, even though the case for a single Fair Trade mark seems to be strong, a number of objections to unifying under the FLO logo remain. The integrated monitoring system is incredibly difficult because not all Fair Trade organizations are sure they want to be associated with the FLO certification mark because it is carried by the likes of Starbucks and others¹²³. Another argument is that for many handicrafts Fair Trade labeling does not make sense. The consumers are buying it and the label is not going to make a difference, so the extra costs and energy that co-operatives put into getting the label on the product will not be offset by a similar increase in sales¹²⁴.

123 IFAT, 'What does IFAT do?', 2004, www.ifat.org

124 Luuk Zonneveld, Managing Director of FLO, Interview, 2004

2) Threats from outside:

Because Fair Trade becomes more and more successful business venture it is natural to expect increasing competition as the consumer market grows.

1. Self-certification/codes of conduct:

As long as the Fair Trade certification mark remains unprotected by law, there will be the possibility that other businesses with greater marketing power than the members of FLO will launch a 'fair trade' or 'fairly-traded' brand that does not follow FLO guidelines and will directly compete with existing Fair Trade lines. Such products would confuse consumers and potentially threaten the Fair Trade mark¹²⁵.

Nevertheless, an analysis of existing facts allows to suggest that while promoting and certifying own-company codes does cost money, and as the FLO label becomes more popular, companies (especially medium-sized) may find it more efficient to adopt FLO standards rather than creating their own systems.

2. Low-cost independent certification:

In this work we have already mentioned that the growth of Fair Trade has led to the entry of new players into the arena of socially responsible certification offering cost options that are lower than FLO. The two most significant arrivals are Utz Kapeh and the Rainforest Alliance, both of which have appeared in recent years to take advantage of the growing market for 'ethically' traded coffee without taking on board the full cost of FLO accreditation. They do not incorporate price floors and, thus, represent significantly cheaper options than Fair Trade. Both models started off outside the sphere of social responsibility but have repositioned themselves to be more socially oriented to be able to respond to market demand.

The appearance of such organizations emphasize the importance for FLO to continue improving its standards and promote itself as the 'gold standard', by highlighting the key differences between FLO's mechanism and other models.

The high-lightened challenges allow talking about a range of opportunities for a Fair Trade movement in the future.

125 Sweney, M., 'Nescafe plots entry into fair trade coffee market', Marketing, 6 May, 2004, p. 1

4.2. Strategic commercial opportunities

Increasing production volumes:

The first approach of bringing Fair Trade to scale is very traditional in terms of conventional trade and lies with developing effective strategies to increase volumes of existing products quickly where demand happened to be higher than supply. However, the structure of the Fair Trade model makes this difficult since it is typically based around aggregating small-scale producers who often lack technical expertise, resources and effective communication system. Nevertheless, new strategies can be developed that would facilitate more rapid supply side growth when necessary. Those are:

1. Increasing the developmental support for small-scale producers through training and technical assistance would allow them to prepare more effectively for growth. The Asia Fair Trade Center of Excellence is already exploring such management and leadership training program.
2. Producers should be encouraged to improve their product mixes, to develop both high-volume (safe) and high-growth (risky) lines. By mixing their products and diversifying their risk, producers are more likely to be able to respond to sudden market demand.

Of course, in reality to achieve success such strategic planning must be combined with management education and support to ensure that producers understand the process and change in operational objectives.

The second approach to growing volumes from existing lines requires new producers to be brought into Fair Trade system quickly when market demand is there. Thus, new system has to be created to speed up the registration of incoming producers at the same time ensuring that overall quality control is not compromised.

Increasing flexibility in Fair Trade standards to take hold of bigger market share:

A further opportunity is also seen in a changing of the price positioning of Fair Trade products. Currently, Fair Trade products are generally positioned as 'premium', which reflects the reality of the Fair Trade value chain and helps deliver marketing messages about the premium quality of Fair Trade; but it also cut out a significant part of the consumer market. If the Fair Trade price range is broadened to include more affordable to an average customer products, a true 'democratization' of Fair Trade could happen. This requires higher flexibility in the Fair Trade pricing model, either by introducing new price floors for differentiated quality, or by eliminating the price floor model at all.

Eliminating the dependency of producers on Fair Trade organizations:

Some Fair Trade companies, in order to escape producers dependency on their assistance, are actively pursuing development strategies that will enable Fair Trade farmers to be better engaged with the mainstream¹²⁶. They try to limit themselves by purchasing only a certain percentage of a group's products, through that forcing that producers group into diversifying its buyers, or working with producers for a certain period of time necessary for them to form relationships with more mainstream companies. To avoid the dependency on one product, the best way is seemed to advise co-operatives and farm worker organizations to implement income diversification projects by making this objective compulsory amongst other standard Fair Trade requirements.

Encouraging South-south Fair Trade:

The current tendency of focusing on Northern markets could to be balanced by realizing and accepting the opportunities offered by Southern markets. A new good market opportunity is clearly emerging for many new goods in developing countries¹²⁷ and Fair Trade products should be well placed to grow sales here also. These markets many of which are producer-local can be achieved without significant shipping costs or wholesaler intervention. The development of successful local markets not only adds to overall sales but also diversifies risk, particularly of currency fluctuations. For example, China is a large business-to-business 'gift-giving' market opportunity where consistent quality and price are valued. The establishment of the first national Fair Trade-labeling initiative in a producing country (Mexico in 2004) is another interesting development in South-South Fair Trade.

4.3. Political opportunities

Though, Fair Trade has only limited success in changing government policy it is increasingly well-placed to encourage growing consumer concern for trade injustice. The European Union and the World Trade Organization (WTO) could be reached in order to reassess some of trade issues and structures. Some success with the Doha round of WTO negotiations (2004) suggests that the developing world's lobbying of a reduction in Northern agricultural subsidies may finally start to be heard¹²⁸. It is important to notice that even slight reduction in the hugely distorting tariffs placed by Northern countries is valuable; but at the same time developing countries should be encouraged to reduce their own South-South tariffs as well. Another success was the symposium on Fair Trade at the

126 Humphrey, L., op. cit., p.2

127 Prahalad, C. K., *The fortune at the bottom of the Pyramid*, Wharton: Wharton Business School, 2004, p.60

128 Stiglitz, J., *Globalization and its discontent*, London: Penguin, 2004, p. 35

UNCTAD (the United Nation's agency concerned with trade and development) XI annual meeting in Sao Paulo which took place in June 2004 and resulted in a declaration of intent presented to UNCTAD.

4.4. Suggestions on Fair Trade future development strategies

This work has been done in order to prove that Fair Trade is one of the alternative ways of doing business with the underdeveloped or developing countries of the Third World which does promote sustainable development and empowerment. In these terms Fair Trade can be defined as a new commercial, politics and social development strategy benefited all major stakeholders.

The findings from theoretical part and literature survey show that while over the past ten years the dominant efforts were to expand Fair Trade markets and bring more product suppliers, they might be heading to their limits under the influence of growing amount of conflicts around the world. There is no even little possibility for Fair Trade, as further process of commercialization speeds up, to escape the absorption of the movement by the market. Rather than pointing out the weak points and claiming that Fair Trade is coming to its dead-end, we propose instead that we can see the beginning of shaping of the constructive revision and reformulation of Fair Trade ideas and practices. This changing will be required on a number of important fronts, and in its social movement, the movement will need to continue its political involvement to promote an alternative strategic agenda in order to continue its goal of transforming globalization to enforce the rights of people of the Third World.

Thus, we would like to bring this paper to the conclusion by extracting some of the development strategies for Fair Trade in the future. Those can be seen as action guidelines for labeling organizations, the importing organizations, producers and some general suggestions on the whole movement.

1) Labeling organizations' policies revision:

- In recent years labeling organizations witnessed an extraordinary expansion, and have to deal with new product, which lead to obtaining new licensees and tapping new market opportunities.

So, in the future it seems important for them to manage their own growth, coping with growing demands, the need for more qualified personnel and more financial resources, and the risk of becoming dependent on just a few big licensees. Establishing of a single governing institution can be of help in dealing with those rather complicated tasks.

- Attraction of the big multinational corporations is in contradiction with the original goals of Fair Trade, which developed from strong opposition to those.

In these terms we suggest that labeling organizations to find innovative ways to cooperate with them, but as long as it is possible to maintain a critical perspective by developing strong and clear ethical position. Bringing a Fair Trade label to the legal state seems to be also an important issue in this light.

- The necessity of Fair Trade organizations to be brought under clearly defined regulations and standards naturally led us to the suggestion that a good balance between the need for standardization and the potentially dangerous path towards over-regulation from official structures should be found.

2) Development strategic key points for the importing organizations:

- As many new players entered the global scene of Fair Trade, it is natural for us to suggest that sharpening Fair Trade organization' individual profiles and company loyalty would let them to compete effectively. One of the strategies could be building of a stronger Fair Trade brand and introducing more new products which would supposedly prevent shortening of the business life-cycle. The main accent may be on organic certification, as nowadays it is rather appealing to consumers' life style and their sense of quality.
- With the growing competition importing organizations should develop new sources for growth outside of the supermarkets, as well as try to strengthen their co-operation. Our suggestion is for those to organize joint activities and form joint ventures that could serve as a good way to share their experiences.
- Further marketing development should also be in an agenda. We suggest that intersection strategies development is vital for raising more awareness among consumers and attracting greater attention from other market players. Fair Trade organizations may consider performing as sponsors or supporters of important and popular international events, varying from concerts to high-level official meetings.

3) Producers empowerment strategies:

- The first thing that seems important for us is strengthen role of producers, that can be done but ensuring that they have an adequate recognition in the Fair Trade movement.

- As impact assessments show the more attention to the role of women within co-operatives and Fair Trade system in general is greatly in need. We propose that new projects in order to help the developing of women empowerment be implied. Those can be formation of special women organizations and projects on their education promotion.
- We also think it is vital to develop even stronger relationships between producers and other Fair Trade actors by increasing networking and advocacy.

4) Proposals to the Fair Trade movement in general:

- Focusing on some consumer issues in our mind could promote further development of Fair Trade.

As a possible example, expanding advocacy and education will help to fight the lack of knowledge of what Fair Trade means among consumers; while organization of public projects, such as UN-sponsored project named “The World in a Shop - World shops mobilizing youngsters for Fair Trade” will attract younger people.

- We also think that a lot could be gained if all the research that is currently being done is used at high schools, Universities, Research Institutes etc. For example, an International Fair Trade research and training centre could be formed to bring theory and practice together.

From our point of view, if the strategies outlined above are tried to be followed, the Fair Trade movement can continue its steady grow and position itself as the ‘gold standard’ for how business should treat its unfavorable participants.

5. Conclusion

This study has been performed in the light of a growing international Fair Trade movement and the recognized need for more systematic attempts to evaluate the impacts from Fair Trade upon individual producers and workers. The explicit purpose with the Fair Trade system is to promote both sustainable development and empowerment. Therefore, one of the aims of this thesis was to investigate whether Fair Trade leads to sustainable development and empowerment, through exploring the material and non-material impacts from Fair Trade.

This paper has highlighted the major challenges for Fair Trade under three main headings of benefits to producers, accountability and influence in the mainstream market, and indicated where progress is being made in terms of research and the development of workable models. There are a myriad of contradictions and challenges inherent in Fair Trade. The movement is against the unfairness of the market, but aims to enable producers to compete in that market – it is ‘both in and against the market’¹²⁹. It has to deal with multiple stakeholders, in particular balance the needs of producer with the demands of the consumer. It is increasingly under the spotlight, partly because so many people have faith in Fair Trade and want it to work.

The findings from literature survey in this thesis show that participation within Fair Trade has made a difference for the producers and workers by providing both sustainable development and empowerment. This is emphasized in many, both material and non-material, identified impacts from Fair Trade. It has been argued for that the producers and workers have gained more control over their lives and that their living standard and quality of life have improved. Identified impacts supporting this statement are among other things the increased income, the improved housing standards, the access to health care, the greater knowledge about one’s legal rights and the increased possibility to participate in decision- making.

Unlike other approaches to being ethical in the market place, Fair Trade is about changing the unequal relationship between primary producers and the market, particularly the ethical market. But the practical differences between Fair Trade and other approaches are not appreciated by many observers – whether donors, consumers or other traders. From the point of view of most consumers,

129 Tiffen, P., Shopping for a Better World, Red Pepper, June 1999, p.3

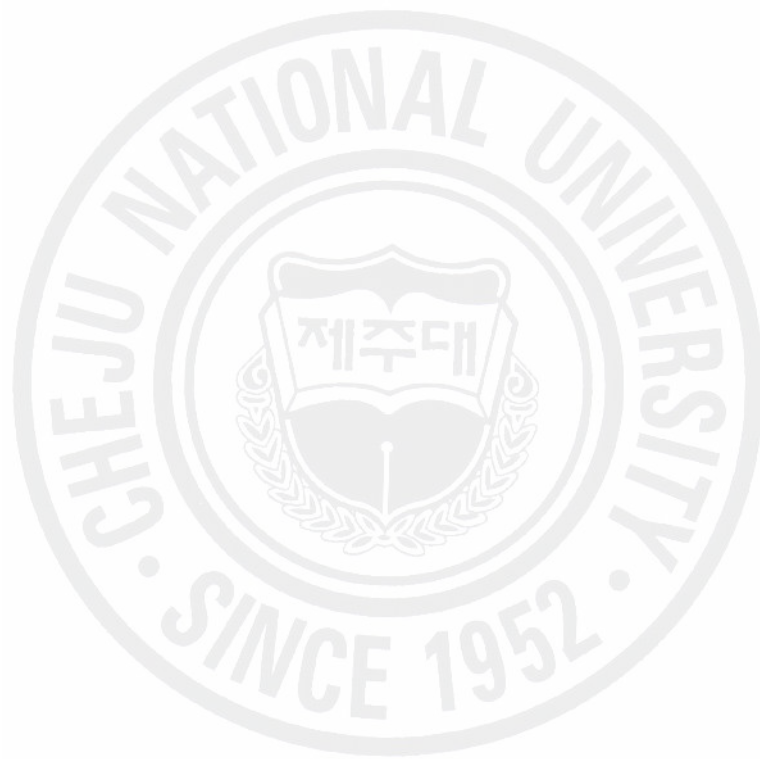
there are very few differences between different ethical offers. Consumer attitudes to Fair Trade and indeed ethical trade are ripe for further investigation, especially using qualitative techniques that explore attitude formation and the drivers for action. But credibility in the market place is dependent upon Fair Trade organizations being able to demonstrate that they continue to do what they say they do, offering accountability and transparency. So, the important thing for the future is for the difference in the outcomes for producers to be clearly shown. The demonstration of greater development benefits from a Fair Trade approach would open doors to greater public funding to assist producers to work in Fair Trade.

The main challenge for Fair Trade is to retain its distinctiveness in the changing situation, thus we suggested some strategies for future development as for Labeling Organizations, importing companies so as for delicate process of dealing with producers and consumers. Those can be summarized as following:

- 9) To develop projects for managing the growth of labeling organizations (bringing all of them under one internationally recognized and politically empowered organization);
- 10) To bring a Fair Trade label to the legal state, in order to ensure its uniqueness;
- 11) To build a stronger Fair Trade brand, through an accent on organic certification;
- 12) To find innovative ways to co-operate with big market-players (joint ventures and joint activities);
- 13) To find new ways for further marketing development, for example such events as Fair Trade Fortnight and Fair Trade month;
- 14) To expand advocacy and education by promoting such projects as “The World in a Shop – World shops mobilizing youngsters for Fair Trade” and possible formation of an International Fair Trade training and research center;
- 15) To strengthen role of producers by letting them to participate in the decision-making process within Global Fair Trade organizations (issuing shares to producers can be a variant of involving them more into business-making);
- 16) To pay more attention to the women in the Fair Trade movement (formation of women co-operatives and educational centers to give them a chance to act equally and pursue their further empowerment).

Another reason for conducting this study was to redress the lack of research upon Fair Trade as a development strategy. The findings from a small study like this cannot provide any general conclusions. Since Fair Trade is a relatively new phenomenon and so far unexplored, more research needs to be done in order to really understand how Fair Trade affects the producers and workers in the developing countries. Possible future research projects could be to compare the situation of producers

or workers in a Fair Trade Organization with those in a conventional one, to perform an impact assessment of how Fair Trade influences female empowerment and to compare the different kinds of trading relationship offered by Fair Trade and conventional companies in terms of the benefit to producers.



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국문요약

공정무역(Fair Trade)은 전통적 경제학에 따른 자유무역이 그 동안 제 3 세계에 가져다 준 빈곤과 노동착취로부터 탈피하고자 추진하고 있는 새로운 국제무역의 한 형태로서, 제 3 세계 생산자들과 직거래를 통해 그들의 빈곤문제를 해결하고자 추진되고 있는 범세계적 움직임이라 할 수 있다.

공정무역이 최근에 이르러 이슈화되고 있는 이유는 WTO 무한경쟁시대의 출범으로 특히 다국적기업들이 전 세계에 걸쳐 막강한 힘으로 존재하게 되면서 국제무역이 차지하는 중요성은 더욱 커지고 있으나 제 3 세계의 빈곤을 해결할 수 있는 제도적 장치가 주류 국제무역체계에 마련되어 있지 않기 때문이며, 따라서 공정무역이 제 3 세계의 발전을 위한 대안전략으로 부상되고 있기 때문이다.

이에 본 연구는 주류 국제무역체계의 전통적 시장에 대한 대안시장으로서 등장하고 있는 공정무역을 제 3 세계의 발전을 위한 개발전략의 관점에서 다음의 문제에 초점을 두고 규명하고자 하였다.

첫째, 주류 국제무역체계 속에서 전개된 공정무역운동의 국제적 전개과정, 공정무역이 추구하는 목표를 다루었으며,

둘째, 공정무역이 주류 국제무역체계의 전통적 시장시스템과의 차이점, 공정무역의 시장 및 산업구조적 특성, 공정무역이 제 3 세계의 생산자 및 노동자 미치는 경제적·사회적 효과 등의 공정무역의 경제학적 측면을 다루었으며,

셋째, 공정무역운동이 향후에도 국제사회로부터의 지속적인 투자와 지원을 얻을 수 있을지에 대한 타당성 여부를 파악하기 위한 사례분석으로서, 공정무역이 제 3 세계의 생산자와 노동자들의 삶의 질에 미친 광범위한 경제적·사회적 영향에 관한 실증적 사례를 분석하였으며,

마지막으로, 공정무역이 제 3 세계를 위한 개발전략으로서 주류 국제무역체계 속에서의 향후 지속발전 가능성 및 전망과 함께 정책적 제안을 결론으로 제시하였다.

본 연구의 결과, 공정무역이 제 3 세계의 생산자 및 노동자들의 삶의 향상에 실질적 영향을 끼칠 수 있도록 하기 위해서는 공정무역이 주류 국제무역체계 속에 확실한 위치를 잡을 수 있도록 구속력 있는 제도적 방안이 필요한 것으로 나타났다.

이를 위해 본 연구에서는 미래의 발전을 위한 전략적 방안으로서, 다음과 같이 몇 가지 방안을 제시하였다.

- 1) 국제적으로 공인되고 정치적으로 권한이 부여된 공정무역기구의 운영
- 2) 법적 구속력 있는 공정무역의 상표도입
- 3) 공정무역상표의 인증을 통한 공정무역 브랜드 위상 강화
- 4) 공정무역상품에 대한 마케팅전략 개발
- 5) 다국적기업 등의 대시장 참여자와의 혁신적의 협력관계 구축
- 6) 공정무역에 대한 교육 및 홍보를 위한 국제적 공정무역 교육·연구센터의 건립
- 7) 제 3 세계 생산자들의 Global Fair Trade 기구내에서 의사결정 참여

본 연구는 연구과제에 대한 규명을 위해 문헌적 고찰을 중심으로 관련 공정무역기구와 권위자들이 제공하는 각종 웹사이트 정보를 활용하고자 하였으나 본 연구의 주제는 최근에 이슈화되고 있는 분야로서 지금까지 문헌적 및 실증적 연구가 미흡한 실정이다.

공정무역에 관한 본 연구는 보다 심층적 분석이 요하는 후속과제에 대한 선행연구로서 제시될 수 있으며, 향후 제 3 세계의 개발전략으로서 공정무역에 대한 보다 심층적인 연구로 발전시켜 나갈 수 있는 초석이 될 수 있을 것으로 사료된다.