

What is Fair Trade?

www.FTRN.org

Credit: Global Exchange



Swaziland artisan at work on the loom

Fair Trade is a lot of things: a social justice movement, an alternative business model, a system of global commerce, a tool for international development, a faith-based activity. It means different things to different people. There is no single, regulatory, authoritative body. So, individuals need to explore various models and concepts. Fair Trade's many definitions do always center around the exchange of goods based

“Every business transaction is a challenge to see that both parties come out fairly.”

– Adam Smith, 1759

on principles of economic and social justice.

A Useful Definition of Fair Trade

In 1998, four European organizations created a widely accepted definition of Fair Trade. Fairtrade Labeling Organizations (now Fairtrade International, FI), International Fair Trade Association (now World Fair Trade Organization, WFTO), the Network of European Worldshops (NEWS!) and the European Fair Trade Association (EFTA) created a workgroup known as FINE, an acronym of their names, and defined Fair Trade as:

“a trading partnership, based on dialogue, transparency, and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, disadvantaged producers and workers—especially in the South.” (FINE, 1998)

Identifying Fair Trade

With many different definitions, and no single, authoritative body, Fair Trade takes many forms in the U.S. and around the world. Different organizations and individuals use different criteria for determining what is, and isn't, Fair Trade.

The two most widely recognized ways of identifying Fair Trade are organizational recognition and product certification. With organizational recognition, a trading organization is approved as Fair Trade. For these

traders, almost every item they sell is a Fair Trade product. Not only are producers treated fairly through fair prices and social premiums, but other practices of the trading relationship are conducted in concert with Fair Trade values and goals. For example, SERRV builds the capacity of producers to respond to market trends, to learn best practices, and awards grants to buy tools and equipment.



Beads to Bricks at BeadforLife

How does Fair Trade Differ from Free Trade?

Many people are familiar with the term “free trade,” which has played a major role in countries’ trade policies in the past few decades. While free trade policies need reform, Fair Trade adds a complementary business model to such reform. The table below summarizes key differences:

Free Trade is NOT Fair Trade

	Free Trade	Fair Trade
Main goal:	To increase nations’ economic growth	To empower marginalized people and improve the quality of their lives
Focuses on:	Trade policies between countries	Commerce among individuals and businesses
Primarily benefits:	Multinational corporations, powerful business interests	Vulnerable farmers, artisans and workers in less industrialized countries
Critics say:	Punishing to marginalized people & the environment, sacrifices long-term	Interferes with free market, inefficient, too small scale for impact
Major actions:	Countries lower tariffs, quotas, labor and environmental standards	Businesses offer producers favorable financing, long-term relationships, fair prices and higher labor and environmental standards
Producer compensation determined by:	Market and government policies	Living wage and community improvement costs
Supply chain:	Includes many parties between producer and consumer	Includes fewer parties, more direct trade
Key advocate organizations:	World Trade Organization, World Bank, International Monetary Fund	Fairtrade International, World Fair Trade Organization

With product certification, an item is Fair Trade no matter who trades it. Certification centers around a fair price which is paid to the producer for the item, safe working conditions, and a social premium which is paid to the producing community or organization for development. The wider practices of others in the supply chain are not considered under the dominant certifications, but are considered under other certifications. For example, Wal-Mart may sell a little “Fair Trade Certified” coffee, along with a lot of conventional coffee and thousands of other conventional goods.

Under organizational recognition, vendors must show evidence to consumers and traders that they are approved as fully committed Fair Trade organizations by a third-party approval body. Individual products sold by Fair Trade organizations may, or may not, have a Fair Trade mark or label. Many Fair Trade advocates call these organizations fully committed, mission-driven, or 100% Fair Trade.

There are predominantly two third-party associations that recognize Fair Trade organizations in North America: the Fair Trade Federation (FTF) in North America and the international World Fair Trade Organization (WFTO). They have similar criteria, stated by FTF as these 9 principles:



- 1 **Create Opportunities for Economically & Socially Marginalized Producers:** *Fair Trade is a strategy for poverty alleviation & sustainable development.*

- 2 **Develop Transparent & Accountable Relationships:** *Fair Trade involves relationships that are open, fair, consistent & respectful.*

- 3 **Build Capacity:** *Fair Trade is a means to develop producers' independence.*

- 4 **Promote Fair Trade:** *Fair Trade encourages an understanding by all participants of their role in world trade.*

- 5 **Pay Promptly & Fairly:** *Fair Trade empowers producers to set prices within the framework of the true costs of labor time, materials, sustainable growth & related factors.*

- 6 **Support Safe & Empowering Working Conditions:** *Fair Trade means a safe & healthy working environment free of forced labor.*

- 7 **Ensure the Rights of Children:** *Fair Trade means that all children have the right to security, education & play.*

- 8 **Cultivate Environmental Stewardship:** *Fair Trade seeks to offer current generations the ability to meet their needs without compromising the ability of future generations to meet their own needs.*

- 9 **Respect Cultural Identity:** *Fair Trade celebrates the cultural diversity of communities, while seeking to create positive & equitable change.*

Under product certification, every individual Fair Trade product must be labeled with a Fair Trade mark. At present there are 3 widely recognized marks, and a few minor marks, in the U.S. and Canada. “Fair Trade Certified” mark, created in 1998, is now used on products representing about 90% of product certified Fair Trade retail sales in N. America. In 2011, the administrator of “Fair Trade Certified” left the “Fairtrade” system, so the “Fairtrade” mark may appear more in the US market. The “Fairtrade” mark already is widely used in Canada. Also, in 2012, the new “Fair Trade Certified” mark (far left) is replacing the old mark (at right of new mark). “Fair for Life Social & Fairtrade Certified” mark, created in 2006, is used on about 5-10%.



Organizations selling certified goods vary greatly in their involvement in Fair Trade, and may have, for example, less than 1%, 5%, 20%, 50% or 90% of their annual purchases be Fair Trade products. Many Fair Trade advocates call such organizations partially committed.

Criteria for certification sometimes significantly vary by product type or by certifier. Standards for fairly traded bananas are different than those for rice, in part because bananas are grown on plantations in trees while rice is cultivated in smallholder paddy fields. Olive oil, jewelry, cotton and apparel also are produced under widely different circumstances, and result in significantly different criteria for Fair Trade. Moreover, there are emerging differences between certifications of coffee, for example, as “Fair Trade Certified” began allowing hired labor and plantations to have their coffee certified in 2011, whereas “Fairtrade” only allows smallholder farmers organized into cooperatives to have their coffee certified.

The “Fair Trade Certified” system is administered by Fairtrade International (FI), based in Germany. FI authorizes a labeling initiative in consumer countries, currently numbering 22, to administer the label. FI’s labeling

initiative in the U.S. was Fair Trade USA (renamed from TransFair USA in 2010) until 2011. In Canada, it’s Fairtrade Canada (renamed from TransFair Canada in 2010). Most certified products are agricultural products, such as coffee, tea, cocoa & chocolate, sugar, rice, and more. Pilot certifications in apparel and gold were launched in recent years.



Credit: Kaare Viemose

Three women pick Fair Trade tea leaves

Courtesy of Dr Bronner's Magic Soaps



Farmer carries bag of mint, Sri Lanka

The “Fair for Life” system is administered by Institute for Marketecology (IMO), based in Switzerland. Its generic standards can be applied to any type of product, even manufactured goods or hand-crafts, but are mostly found at present on food and body care products.

All product certifications include these principles:

- ⇒ **Fair prices:** Farmers, hired workers, artisans and other producers receive a fair price or wage for their time and materials. Producer organizations often receive pre-harvest or pre-production credit on favorable terms.
- ⇒ **Fair & safe labor conditions:** Workers on farms, in factories and on plantations enjoy freedom of association, safe working conditions, and humane treatment. Forced child labor is strictly prohibited.
- ⇒ **Direct trade:** Importers purchase from Fair Trade producer groups as directly as possible, eliminating unnecessary middlemen and empowering producers to develop the business capacity necessary to compete in the global marketplace.
- ⇒ **Democratic and transparent organizations:** Producers decide democratically how to invest Fair Trade premiums for community development and capacity building of producer organizations.
- ⇒ **Community development:** Producers invest premiums in social and business development projects like youth scholarship programs, health care, clean water access, quality improvement trainings, and organic certification.
- ⇒ **Environmental sustainability:** Harmful agrochemicals and Genetically Modified Organisms are strictly prohibited in favor of environmentally sustainable methods that protect producers' health and preserve ecosystems.

There are also some minor certifications in the N. American market representing less than 1% of certified Fair Trade products. One such label is Ecocert ESR, another IBD EcoSocial, and a new one is the Small Producer Symbol, administered by the Latin American and Caribbean Network of Small Fair Trade Producers. Fair Trade criteria for these and other minor certifications may differ from the dominant ones. Anyone interested is encouraged to do further research.