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Working Paper 3, September 2006



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BRASIL

FAIR TRADE MOVES CENTRE STAGE

John Wilkinson*

Introduction

Suddenly everyone is in favor of fair trade. The giants of the food industry, services and retail are now launching lines of fair trade products, so much so (Wal Mart being the latest recruit) that for some the key challenges of the fair trade movement are no longer those of promotion but the prevention of cooption. The European Union has endorsed the goals of fair trade and the European Parliament drinks fair trade coffee. President Bush speaks of “free and fair trade”, albeit to further the former. Nobel Prize winner and former World Bank expert, Joseph Stiglitz, has entitled his 2006 book in co-authorship with Andrew Charlton “Fair Trade for All”(2006). Bono Vox calls for fair trade in Africa. Fair trade began some fifty years ago as a mixture of charity and solidarity and for some thirty years it remained politically and economically marginal. This situation has changed drastically over the last fifteen years which have simultaneously seen the institutionalization of the movement, the mainstreaming of its products and the incorporation of its objectives into dominant political discourses.

This paper presents a profile of the fair trade movement and discusses the factors which have been responsible for the attention which is currently being given to its demands. The first section considers the nature of fair trade arguing that rather than a discussion of definitions we are dealing with a variegated social movement mobilized around a range of objectives both convergent and conflictive. The leading actors in the movement are then presented together with an overall profile of fair trade by country, region and principal products. This is followed by an analysis of the reasons for fair trade’s current prominence both in the market and in political arenas. We then discuss the specific features which characterize fair trade as a social movement. Fair trade’s shift from a North/South to a global movement with the emergence of a distinctive Southern agenda is then analyzed. The paper concludes with a consideration of future directions for fair trade.

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What is Fair Trade?

Charitable organizations linked to a variety of religious affiliations were responsible for the emergence of fair trade networks both in Europe and the United States. These were subsequently complemented by trading activities motivated by political solidarity. Handicraft production was largely sourced from Asia and Africa and food/drink more identified with Latin America. Within the multilateral arena, the second UNCTAD Conference in 1968 argued that trade not aid should provide the basis for Third World development. In this context, charity and solidarity gave way to a more explicitly political focus on the need for fair trade. Coffee, already a focus of political solidarity campaigns uniting producer and consumer organizations, became the symbol and product leader of the nascent fair trade movement - a position which it still retains. Fair trade groups became organized on a national basis first around importers and dedicated shops and later on the basis of labeling organizations licensing products for mainstream markets.

The second half of the '80s saw a phase of institutionalization of the movement. In '87 the European Fair Trade Association (EFTA) was created bringing together eleven leading traders/importers from nine countries. In 1989, the International Fair Trade Association (IFAT) was formed initially providing a forum for Northern fair trade organizations but quickly extending to include Southern producer groups which transformed it into the global expression of the movement. The '90s saw the institutional consolidation of the various networks of dedicated fair trade shops with the establishment of the Network of European World Shops (NEWS). In 1997 the different national labeling initiatives which had emerged as a product certification strategy to gain entry into mainstream markets (beginning with the Max Havelaar label in the late '80s) gave rise to the Fairtrade Labeling Organization International (FLO). As from 1998 these four organizations began to coordinate their activities leading to the creation of FINE, an acronym based on the first letter of each of the above organizations. In 2001 the following consensus definition was agreed on:

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

While this definition is limited to general principles fair trade has developed a series of more precise prescriptions. In the first place, as a consequence of its development goals fair trade contracts and trading agreements are conducted with producer organizations and not with individuals. The fair trade price is calculated on the basis of production and broader reproduction costs. In the case of FLO certified products a minimum price is established calculated according to the above criteria, which gives way to the market price whenever this is above the minimum. The purchaser, if requested, should advance at least 60% of working capital largely inaccessible to small-scale producer groups who often have to depend on middle-men. In addition to the minimum price, the purchaser should also pay a premium to be used at the discretion of the producer organization for development purposes (education, health infrastructure etc). These same principles are adopted in a more flexible spirit by Alternative Trading Organizations (ATO) which often work with products for which no price structure exists.

In practice fair trade can be understood as having three components:

i. The organization of alternative trading networks, known as ATOs.

Such networks, in principle, involve the direct articulation of producer groups, traders, dedicated shops (largely based on volunteers) and consumers into interdependent trading circuits which very quickly assume the character of social networks and in this way can underwrite fair trade claims without formal guarantees. The campaign for recognition of participatory rather than third party audited certification schemes has emerged in this context. Direct farmer to consumer internet sales create new opportunities for ATO trading.

ii. The marketing of fair trade labeled products based on FLO registered producer groups and licensed traders and retailers.

The national labeling initiatives grouped together in the FLO correspond to a strategy for the development of a formal certification system for fair trade products. Producer groups and traders are registered with FLO and the national labeling initiatives offer licenses to manufacturers, retailers or service sector companies. In this way, fair trade products can enter mainstream marketing channels based now on the formal guarantees of a certification system. Initially, differently from other certification systems, the costs were borne by the purchaser rather than the producer groups. The

need to respond to ever greater demands for certification has led to a reversal of this situation and FLO is now aligning its certification system to the requirements of ISO 65.

iii. The campaign-based promotion of fair trade ranging from specific initiatives for the adoption of fair trade to political campaigns to change the rules of conventional trade.

Fair trade is above all a social movement for which new terms of trade represent a strategic tool for the promotion of development and social inclusion. As such it both ‘grows the market’ through campaigns (fair trade coffee on campus, fair trade towns, fair trade weeks etc) and promotes political campaigns and advocacy to “make trade fair” in international forums. Much of this campaigning work is made possible through the networks of dedicated shops themselves largely staffed with volunteers.

While different organizations may specialize in one or other of the above three activities (Oxfam UK, for instance, one of the pioneering alternative traders, is now focusing more on advocacy and political campaigning) most combine involvement in trading with campaign style activity. The different trading strategies can often be complementary. Alternative trading networks provide outlets for producers and products which may not have access to labeling circuits, particularly in the case of handicrafts, or for which no labeling system as yet applies. On the other hand, labeling has enabled fair trade products to access supermarket shelves, with a consequent sharp increase in global sales. Nevertheless, the two forms of trade at the limit involve different conceptions of fair trade and considerable tension exists between these wings of the movement. At one extreme fair trade sees itself as a component of the solidarity economy movement, while at the other it blends into the objectives of corporate social responsibility and ethical trade (Conroy, M. 2001, Gendron, C, 2004, Tallontire & Vorley, 2005).

Who are the Leading Actors?

IFAT, as we have seen, was created at the end of the ‘80s and quickly established itself as the umbrella network of the global fair trade movement. Starting with a northern based membership it quickly incorporated southern groups and by 1995 had increased from its original 36 to 87 members, 38 of which from the South. By 2000, southern members were predominant and in 2005 IFAT had 246 members, 162 from the

South and 84 from the North, with a further 30 associate members. IFAT has a biannual International Conference which elects an executive committee, while an appointed secretariat operates from the Netherlands. Regionally, Asia has the strongest representation with 31%, followed by Europe with 25%, Africa has 21%, Latin America, 13%, and the North America/Pacific Rim, 10%. Regional IFAT forums have now been consolidated in Asia (The Asia Fair Trade Forum, AFTF), Africa (Cooperation for Fair Trade in Africa, COFTA) and Latin America (IFAT L.A.), with Regional Conferences scheduled every two years.

IFAT promotes the fair trade market, works as a standards and monitoring agency for fair trade groups, and involves itself in campaigns to change the rules of global and regional trade. Many new markets emerge from the networking function which IFAT provides for its members. The most ambitious of these, perhaps, is the joint-venture signed with the internet company E.Bay to launch a fair trade auctioneering site. Through its global network IFAT is able to organize direct contacts between E. Bay and producer groups allowing the company to develop a market which would otherwise be largely inaccessible. IFAT standards are based on nine principles: the creation of opportunities for economically disadvantaged producers, the adoption of transparency and accountability, commitment to capacity building, the promotion of fair trade, payment of a fair price, promotion of gender equality, safe and healthy working conditions, adherence to UN convention and local laws on rights of children, and the adoption of a sustainable approach to the environment. At the World Social Forum in Mumbai in 2004, IFAT launched its Fair Trade Mark attributable to fair trade organizations which adopt the IFAT standards and monitoring system. The monitoring system comprises three components: self appraisal in accordance with IFAT standards, mutual monitoring between IFAT members, and external verification. This system is very similar to the participatory certification systems which are currently being debated in sustainable, organic and fair trade forums and may provide a bridge between these and the formal certification systems (FLO, IFOAM, WWF etc). In the area of advocacy, IFAT both elaborates its own positions, particularly for non-food markets with which it is most associated, and engages in joint statements and campaigns with the other leading fair trade organizations under the umbrella of FINE.

EFTA, the European Fair Trade Association, was formed in 1987 by Europe's leading fair trade importers. Its members are EZA Dritte Welt (Austria), Magasins du

Monde – OXFAM (Belgium), Oxfam Wereldwinkels (Belgium), Solidar'Monde (France), GEPA (Germany), CTM Altromercato (Italy) Fair Trade Organisatie (Netherlands), Intermon OXFAM (Spain), IDEAS (Spain), CLARO (Switzerland), Oxfam (UK), Traidcraft (UK). Key activities have been information sharing on products and producer groups and increasing operational efficiency through logistical collaboration. A particularly important example, here, has been the coordination by EFTA of fair trade chocolate production in Europe. EFTA also plays an important role in promoting fair trade within the European Union. It has been active in campaigning against trade barriers in relation to specific crops, particularly cotton and has promoted a policy of public procurement for Fair Trade products which has been financed by the European Commission. This focus on public procurement has not been limited to the use of fair trade products in public events but has extended more generally to public catering, particularly in schools. In Italy, through the initiative of CTM Altromercato, 150 public authorities and 30 catering companies introduced fair trade products into school meals reaching some 400.000 children. A connected trend has been the promotion of standards for recognition as Fair Trade towns, part of a broader “buy fair” campaign directed at local governments, and which has now attracted the interest of hundreds of towns in a number of European countries. Since the formation of FINE, EFTA has been a partner in the joint advocacy activities.

NEWS! is a network organization for 15 National Associations of World Shops from 13 European countries representing some 2,500 dedicated fair trade shops. In 1998 it defined the criteria which should govern such shops together with their fair trade suppliers:

“Fair Trade is an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness-raising and by campaigning.”

Fair trade shops should endorse the NEWS! definition of fair trade, have the sale of fair trade products as their principal activity, reinvest profits in fair trade, inform the public on the nature of fair trade products and take part in fair trade campaigns. Importers in their turn, in addition to also endorsing the NEWS! definition of fair trade should also when requested supply pre-financing to producer organizations, organize trade as directly as possible eliminating unnecessary “middle-men”, work to create secure markets by capacity building and technical assistance, provide feedback

information on products and markets for producer groups. They should also provide their suppliers with information on fair trade and its methods. With 100,000 volunteers, the network of world shops provides the organized base of fair trade as a social movement and it is this network which is largely responsible for the movement's campaigning activities. In 2004, the European Union financed the NEWS! campaign to extend its network to the new member countries of central Europe.

The '90s saw a stagnation in fair trade shop sales. Handicrafts were particularly hard hit both by the nature of the products which were more solidarity than market oriented and by competition from cheaper producers, Latin America being undercut by Africa and Asia, and the latter two suffering competition from China. Some traders closed down, others restructured and the pioneer organization, Oxfam UK moved out of trading to concentrate on political campaigning. In the light of the success of mainstream fair trade sales, both in the form of supermarket and coffee-shop sales, fair trade shops began to adopt more professional criteria with regard to market positioning and sales management. The non food sector also underwent a sea-change being oriented now by design and fashion concepts. This is particularly so in the case of cotton/clothing where the synergies of alternative market creation and political campaigning are most apparent. Clothing now seems set to provide the next wave of fair trade mainstreaming with Marks & Spencers, the UK retail chain leading the way.

FLO, the fair trade labeling organization emerged in 1997 to coordinate a series of national labeling initiatives promoted during the '90s by the Max Havelaar Foundation, Netherlands and Transfair, Germany. Seventeen such initiatives united to define a certification system based on common product, production and trading standards. Focusing on disadvantaged small farmers and later plantation workers the labeling system gave priority to the dominant commodities in the global trading system – coffee, bananas, tea, sugar, rice, cocoa. These have since been extended to honey, fresh fruits, processed and manufactured products including orange juice and chocolate, and to indigenous products such as quinoa from the Andean *altiplano*. This strategy has been extremely effective and fair trade products since 2000 have experienced 20% annual growth in Continental Europe and 40% or more in England and the US. As we will see in more detail in the next section the sale of labeled products has increased sharply from US\$200 million in 2001 to over US\$1 billion in 2005. Coffee, the first product to be certified is still by far the market leader, followed by bananas and these two products

form the bulk of overall food sales. Product diversification, however, is underway and a number of very successful manufactured products has emerged, with pride of place for chocolate. FLO and IFAT have traditionally had an informal division of labor with the former predominant in food and regionally most represented in Latin America whereas IFAT has grown out of handicraft trade and has been present especially in Asia. The two organizations have now collaborated on the certification of cotton which is FLO's first, non-food, labeled product and has begun to enter mainstream sales. While the opportunities and challenges of mainstreaming have increased the tensions within different wings of the movement, they have also promoted greater convergence as the need for greater professionalism transforms the ATO system and mainstream sales extend to non-food products.

Initially the FLO system was unique in that the costs of certification were borne by the purchaser of fair trade products and not by the producer organizations. The increased demand by the latter for registration with FLO and the pressure to adjust the auditing system to ISO standards have now led to the imposition of certification charges. FLO has itself become divided into two organizations, one FLO International, responsible for the elaboration of standards, and another FLO-cert which oversees the auditing. Differently from the IFAT system, FLO labels products and not producer organizations. While the products already covered concern the major commodities which affect millions of producers and rural workers, standard setting is a slow process and means that a huge range of typically small holder products are not yet included and may never be included since they also involve many products which are not globally traded. The issue of certification systems and costs has therefore become a source of tension which has increased as fair trade in the South is no longer seen exclusively in terms of North-South trade but also includes the promotion of fair trade in the South.

The initial FLO system was overwhelmingly northern European and US in composition and based on the proliferation of national labeling systems having their roots in either the Max Havelaar or Transfair organizations. Since then an important Southern European national labeling system that of Spain, has been included, as has the first Southern labeling system, *Comercio Justo*, Mexico. Other Southern countries are now negotiating national systems and their relation with the global movement –Brazil, South Africa, India. The traditional tensions within the northern fair trade movement

now include a more clearly defined southern component both within the FLO system and traversing the different organizational configurations.

Key international NGOs operating in the South, together with the emergence of networks spanning the South and global networks have been decisive in the consolidation of fair trade as a movement and a market. While many of these traditional NGOs have their own agendas, they, and younger NGOs involved in development, have been working in close cooperation with Government agencies responsible for Third World cooperation programs. This is particularly the case of Northern European government agencies – the Department for International Development (DFID) in the UK. France, Germany (GTZ), Holland (Solidariedad), Belgium. With the convergence of cooperation policies around the poverty reduction Millennium goals and in a political context where trade is seen as the road to development, the fair trade movement has become a privileged partner in Northern governments' international cooperation programs. Indeed, the very breadth of the fair trade movement which as we have seen stretches from ethical trade and corporate social responsibility to the solidarity economy makes it an equally attractive partner both for dogmatically neo-liberal and more rhetorically socialist government cooperation programs.

Profile of Fair Trade in Europe and the US

Two recent studies conducted by the fair trade movement – *Fair Trade in Europe 2005* – jointly produced by the four members of FINE, and - *2005 Report: Fair Trade Trends in North America and the Pacific Rim* produced by the US Fair Trade Federation – provide an authoritative overview of global tendencies. Table 1 summarizes the structure and evolution of Fair Trade in 25 European countries in the first years of the new millennium:

Table 1 Five Years of Fair Trade Dynamics in Europe: A Statistical Overview

	1999	2004 or Latest Year Available	% change
Importing Organizations	97	200	+106
Sales Outlets:			
Worldshops	2,740	2,854	+4
Supermarkets	43,100	56,700	+32
Others	18,000	19,300	+7
Total	63,800	78,900	+24
Paid Staff			
Importing Orgs	746	851	+14
Worldshops Assocs	32	107	+234
Labeling Orgs	71	113	+59
Total	849	1,071	+26
Turnover in 000E			
Importing Orgs	118,900	243,300	+105
Worldshops (net retail value)	41,600	103,100	+148
Labeling Orgs (net retail value)	208,900	597,000	+186
Education/PR/Mark in 000E			
Importing Orgs	5,600	11,400	+104
Worldshops Assocs	1,000	1,700	+70
Labeling Orgs	3,500	5,100	+46
Total	10,100	18,300	+81
All World Shops in 000E			
Net Retail Value Estimate	92,000	120,000	+30
All FT Products in 000 E			
Net Retail Value, Estimate	260,000	660,000	+154

Source: Fair Trade in Europe 2005

The above Table provides key insights into the evolution of fair trade in Europe. The dominant position of mainstreaming is clearly confirmed both in absolute figures (some 600 million euros) and relative growth (186%). On the other, the World Shops have not stagnated and the sharp increase in paid staff in this sector confirms the adoption of more professional marketing strategies. A striking feature is the sharp increase in the number of importers and the role which they have assumed in “growing the market” as reflected in education /PR / marketing expenditures. This growth reflects both the shift to supermarket outlets and the concomitant predominance of food products, but also corresponds to a diversification in products and sources of supply. This has led to the emergence of new actors – Altereco in France, Agrofair in the Netherlands, CaféDirect and the Day Chocolate Company in the UK – and to very strong growth for some more traditional actors – Ctm Altromercato in Italy.

While there are strong tendencies to institutional convergence, evidenced in the harmonization of labeling strategies and the pooling of advocacy activities, there is a marked heterogeneity in the profile of the fair trade movement and in the market dynamic of fair trade in each country (see Table 2 below). Certain countries have market shares for some products which may be considered mature - Switzerland, (coffee, 6% and bananas 47%), UK (coffee, 20%) – while others are beginning a process of rapid growth – France - in the same or a more diversified range of products. The importance of large-scale retail sales relative to dedicated outlets varies not only according to features relating to the internal dynamic of the fair trade movement but also to the uneven presence of supermarkets (very low in Italy compared with similar *per capita* income countries), which in turns depends on broad macro-economic and cultural factors but also on public regulation affecting the sector. It is of note that the two countries with the highest net retail value of labeled products and the highest per capita expenditure - Switzerland and the UK – were strongly influenced by the early adoption of fair trade products by Cooperative supermarket chains.

Table 2: FLO and Worldshop Sales by Country

Countries	Fair Trade Labeling Orgs.	Worldshops
	Net Retail Value 000 Euros	Turnover in 000 Euros
United Kingdom	206.289	10,401
Switzerland	136,028	1,980
France	69,000	9,300
Germany	58,000	20,000
The Netherlands	35,000	30,340
Belgium	20,000	7,735
Italy	20,000	no data
Austria	15,781	7,460
Denmark	12,000	0,282
Finland	7,700	0,794
Sweden	5,480	0,728
Ireland	5,000	0,710
Norway	4,540	0
Luxembourg	2,000	0,800
Spain	no data	12,262
Portugal	no data	0,294
TOTAL	596,818	103,086

Source: Fair Trade in Europe 2005 (adapted by the author)

The Netherlands is the only country which shows equally strong sales of both Worldshop and FLO products, followed at a considerable distance by Austria. In all other countries of Northern Europe labeled products are now firmly leading market growth. The situation in Southern Europe is less clear since the data are incomplete. Numbers of fair trade shops do not necessarily coincide with the relative or absolute importance of sales. In Table 3 below, Germany with some 800 such shops has only double the turnover of England with no more than a hundred shops. At the same time, in Germany itself the sale of labeled products is three times that of the dedicated shops. In Spain, where fair trade grew through handicraft products sold in networks of shops, food sales had by 2003 assumed a leading role and towards the end of 2005 the Spanish labeling organization was recognized, although no data are as yet available on FLO sales. For Italy no information was provided on Worldshop sales, but Ctm Altromercato, Italy's leading importer has had spectacular growth over the last five years (turnover increasing from 9,3 million euros to 34,3 million) and has a strong base in networks of dedicated shops. Italy is second only to Germany in the number of dedicated shops – some 500 – and CTm Altromercato is their principal supplier. In addition the per capita market share of large-scale retail is considerably lower than similar European countries.

Table 3: Number of Worldshops by Country

Country	Number of Shops	Country	Number of Shops
Austria	100	Luxembourg	6
Belgium	295	Netherlands	412
Denmark	6	Norway	0
Finland	25	Portugal	9
France	165	Spain	95
Germany	800	Sweden	35
Ireland	6	Switzerland	300
Italy	500	United Kingdom	100

Source: Fair Trade in Europe 2005

While in most countries the mainstreaming of fair trade has already become or is rapidly becoming the dominant pattern of market growth, the networks of dedicated shops play a crucial role in the vitality of the movement as a whole. As we have mentioned, some hundred thousand people are mobilized as volunteers in the activities of these shops which in addition to sales include campaigning activities directed not

only at political changes but also at promoting the market through education campaigns, Fair Trade days and Fair Trade Exhibitions. The recent growth of novel non-food markets in accessories and fashion are also providing opportunities for the development of new style dedicated outlets (although mainstreaming is quickly orienting to these markets also). Germany accounts for half (50,000) of this volunteer activity, followed by the Netherlands with 12,000 volunteers.

It should be noted, however, that campaigning has also taken on a more professional posture. As we saw in the first Table, paid staff have increased from 849 to 1071 in the first five years of the new millennium, and although the dedicated shops have shown the sharpest increase the same trend has also been apparent in the trading and labeling sectors. An important factor has been the institutionalization of the movement which has included the establishment of advocacy organizations, as in the case of EFTA and FINE, and an increasing focus on the European dimension, directed to the European Parliament and the European Commission. While the former is actively supporting fair trade consumption initiatives, the European Commission is financing key fair trade activities, as in the fair procurement policy, and is a decisive factor in promoting the movement in the new member countries of Central Europe.

Many factors explain the heterogeneity of the movement in Europe. Among these can be mentioned - the specific colonial history of each country, profile of "charitable" organizations, length of time involved in fair trade, patterns of consumption and importance of large-scale retail, nature of State policy to fair trade, relative importance of different ideological positions within the movement. Such heterogeneity is also reflected in North South relations. In this sense, Latin Europe - Spain, Italy, France, - appears to be ideologically closer to the movement in the South and especially Latin America which is more aligned to the solidarity economy movement and critical of FLO strategy. In Spain, for instance, IDEAS, the third largest trader with a network of Worldshops, is firmly based in the solidarity economy movement. In Italy, the Ctm Altromercato has dissociated itself from the national labeling organization, Transfair Italy, and has openly opposed the concessions of fair trade licenses to leading food firms such as Nestlé. The French Fédération Artisans du Monde, with its network of 160 shops run by 5,000 volunteers is also on the solidarity economy spectrum of the movement. In spite of this persistent heterogeneity, the dominant tendency of the European Fair Trade Movement over the last fifteen years has been characterized by

institutional convergence, the shift to mainstream marketing and the greater importance of political campaigns for trade reform.

The origins of fair trade in the US go back to the 1940s with the Mennonite initiative to buy handicraft products from poor communities in the South. ATO-style fair trade was later promoted by IFAT and Fair Trade Federation members – importers, wholesalers, retailers, and NGOs. It was with the creation of Transfair in 1998, the only US Labeling Organization, however, that fair trade sales exploded as can be seen in following Table 4.

Table 4: Total Gross Sales of Fair Trade in North America (US, Canada, Mexico) in US\$millions

Country/Entity	2001	2002	2003	2004	%Change 2002-2003
FTF & IFAT	48,20	56,20	65,73	75,81	17%
Transfer USA (coffee)	85,60	131,00	208,00	369,00	59%
Transfer Canada	5,40	9,10	17,46	27,14	92%
Comercio Justo	No info	No info	0,22	0,30	---
TOTAL	139,20	196,30	291,41	472,25	48%

Source: Adapted from: 2005 Report, Fair Trade Federation, (2006)

Transfair's own data for coffee point to a further sharp increase with retail sales reaching US\$499,36 million in 2005. The US coffee market was worth US\$22 billion in 2005 with 50% of this dedicated to specialty coffee. Fair Trade's market share has increased from 0,60% to 4,30% in the specialty sector, the fastest growing product in this sector, and from 0,20% to 2,20% for total coffee sales in the years 2000-2006. The evolution of Transfair's coffee licenses has been equally impressive, with a total of 31 in 1999 and 417 in 2005. The market was initially grown by small dedicated roasters but more recently global brand names have been licensed such as Dunkin Donuts, Newman's Own supplied to more than 650 McDonald's restaurants, and Starbucks. Although, differently from the dedicated roasters, the fair trade segment only represents a fraction of the sales of these leading actors, their participation is reshaping the fair trade market. Starbucks, alone now accounts for over 15% of total fair trade coffee sales. At the same time, the percentage of organic coffee within total fair trade sales has decreased from 100% in 1999 to 58% in 2005. In the last three years, Transfair has moved into cocoa (34 licenses), teas (67 licenses) and fresh fruit, principally banana (7 licenses), sugar (6 licenses) and rice (3 licenses). Prices are only provided for coffee,

but in terms of volume banana occupies second place, followed a long way behind by cocoa and then tea, with sugar and rice still at a very initial stage. The US market is now the fastest growing fair trade market and with Wal Mart the latest of the large players to show interest in fair trade and organics, it is likely that this high growth rate, which has averaged over 40% in the last four years, will continue. As in the case of Europe, it is expected that non-food products, particularly clothing (following on the campaign No Sweat against Nike, Gap and other firms' outsourcing based on sweatshops), but also accessories and jewelry, will similarly experience strong growth in the coming period.

The labeling component of fair trade is perhaps at its most aggressive in the US and the UK, suggesting the influence of the more market orientation of these Anglo-Saxon countries, but the social movement element is also particularly evident. Although the growth of traditional alternative sales outlets is sluggish when compared to the increase of labeled products on mainstream shelves there has been a vigorous student movement in support of fair trade which has led to the adoption of fair trade coffee sales on 400 campuses throughout the country. Fair trade is also benefiting from the positive externalities of adjacent social movements. The "No Sweat" campaign mentioned above is a major factor in the renewed focus on non-food fair trade products.¹ The struggles against NAFTA and the extension of free trade agreements to Latin America have also provided a focus for the growth of fair trade activism. Such synergies are further promoted by the multi-purpose activism of human rights organizations such as Global Exchange which campaign simultaneously on all of these issues and also have their own fair trade retail outlets. Fair Trade Coalitions have sprung up in various regions, often paralleling the orientation to local governments noted in the European context. The integration of Mexico into NAFTA and its position as the first developing country to have its national labeling organization recognized by FLO is a further factor favoring the strengthening of the fair trade movement in the US. Radicalization on the issue of trade was particularly in evidence during the Seattle protests which were a landmark in the anti-WTO movement.

Why at the Center of the Stage?

Fair trade is among the fastest growing segments of the food system in Europe and the US and is likely to become so also in the cotton wear sector, but with the exception of coffee and bananas and one or other product category (chocolate in

England) we are still talking of a tiny market share. While fair trade has gone mainstream, therefore, its direct impact on the conventional market in terms of certified products is as yet imperceptible. On the other hand, the leading retail, food industry and food services players are all, in some degree promoting fair trade products. In the case of fair trade's lighthouse product, coffee, Nestle, Proctor & Gamble and Sara Lee who dominate the market and had all vigorously opposed the adoption of fair trade in favor of the promotion of coffee quality as an income generating strategy, have now agreed to developed fair trade lines, albeit for the moment at tokenistic levels. Dole which has long been associated with unacceptable working and production conditions on its banana plantations has also been brought into the fair trade fold. Above, in our discussion of the US markets, we have noted similar moves into fair trade in the food service sector, extending even to McDonald's. With the proposed entry of Wal Mart, the world's largest firm, into fair trade and organic markets mainstreaming ceases to be associated exclusively with European retail and occurs at a moment of aggressive transnationalization by the US giant.ⁱⁱ

Politically, also, as we noted in our introduction, fair trade is being actively promoted by the European Union both in terms of consumption (public procurement, consumer education) and with regard to the campaigning activities of the movement (development of fair trade in new member States). At the multilateral level, fair trade received official recognition in the Cotonou agreement. The XI UNCTAD Conference in São Paulo in 2004 included the Civil Society Forum, whose recommendations gave pride of place to fair trade, in its official program. Different national governments in Europe have incorporated fair trade into their programs of international cooperation for development.

"Trade not aid" as the most appropriate development strategy had already been adopted by the late '60s in the Delhi UNCTAD Conference.ⁱⁱⁱ To the extent, however, that import substitution strategies and the promotion of the domestic market remained the axis of developing country growth strategies, the issue of trade was largely relegated to balance of payment considerations. The identification of export oriented growth as the key to development by the leading multilateral institutions, based on a (selective) interpretation of South East Asian experiences, placed trade at the centre of developing country strategies as from the '80s. In its turn, the institutional reforms of the '90s subsequent to the WTO and the TRIPs agreements were designed to make international

trade the key to global growth and therefore also to poverty reduction. Domestic markets were deregulated and many state sectors privatized, tariffs and subsidies lowered (with the notable exception of agricultural subsidies in the developed economies), quotas progressively eliminated, equal status attributed to transnationals in host countries, more flexible legislation put in place on the repatriation of profits, and competition and intellectual property legislation aligned with WTO rules.

Laboratory conditions were in this way created for the promotion of a global growth model based on trade. To the extent that the legitimacy of the new global order was defined in terms of the beneficial effects of liberalized trade, opposition has tended to focus on the perceived negative effects of trade and the key institutions responsible for the trade regime. The dominant trade model has been a prime target of debates in the Global Social Forum, and fair/solidarity economy groups have been very active in this Forum. Mobilizations against the World Trade Organization and related International Finance Organizations have been central to the crystallization of a global social movement in opposition to the dominant order.

The liberalized trading regime and its institutional underpinnings are also seen to be responsible for the new global division of labor in which production is increasingly outsourced in search of cheap labor and/or weakly regulated social and environmental production conditions. The campaigns against corporate power are therefore connected with the deregulation of the new global trading regime. Consequently, struggles on environmental degradation, child labor, or sweatshops exhibit strong synergies with campaigns on trade rules and are very often promoted by the same NGOs and civil society organizations.

Perhaps most important, the issue of global poverty is now connected umbilically to the respective claims around the benefits/negative effects of trade. To the extent that poverty in many regions of the world has shown itself to be recalcitrant to the effects of trade or even to have been worsened by trade reforms, global poverty reduction programs are unable to ignore the role of the current trade regime. The fact that poverty reduction is the centerpiece of the Millennium Goals gives added centrality to movements for trade reform.

Trade negotiations have also been the mainspring of a new collective identity for developing countries in the formation of the G20 bloc led by Brazil and India. While the principal demands of this latter bloc point in the direction of increasing liberalization

(greater market access, end to export subsidies and trade distorting domestic support systems) this is argued for on the basis of justice and equal treatment for North and South. In the recent Geneva negotiations of the WTO, the Indian representative walked out of the meeting declaring that while the discussion may have been about free trade it was certainly not about fair trade!

The same factors which make trade reform a central issue of global governance are also at work in the variety of movements to curb global corporate power. Transnational corporations increasingly freed from external, public controls now have to negotiate their legitimacy through the internalization of social and environmental norms, often in direct collaboration with NGOs. Given the restructuring of these corporations into global production systems, the incorporation of social and environmental criteria involves trade related issues. This emerges most clearly in the Ethical Trade Initiative (ETI) promoted by the UK Government's Department for International Development (DFID). While ethical trade is to be distinguished from fair trade to the extent that it only relates to actors already involved in the relevant supply systems and does not, therefore, have as its goal the inclusion of disadvantaged producers, it shares many of the criteria which characterize fair trade. Activists from the latter movement have also contributed to the promotion of the ethical trade initiative (DFID, 2001).

The fair trade movement, therefore, despite its still marginal relevance for global trade flows, finds itself at the heart of the central political issue of the day for national governments, global institutions and corporate players alike – if trade is the road to growth and poverty reduction what are the rules which should govern trading practices and the trading system? The fair trade movement has accumulated expertise which makes it an attractive partner whether the issue is capacity development among farmer and producer groups, the elaboration of auditing systems or analysis of trade impacts on poverty and proposals for trade reform. At the same time it draws on and feeds into convergent social movements and campaigns and supplies cadre and networks for more radical contestation of the dominant trading systems. In the following section we will identify the main features which identify this movement and account for its current dynamic.

What Sort of Social Movement?

Fair trade, together with movements around issues such as organics, sustainability, animal rights, regional/cultural values or biodiversity, can be understood as a new economic social movement to the extent that it is based on new forms of collective action – NGOs and networks – rather than trade unions and political parties, and directs its demands primarily to the market rather than to the State. In addition, it is intrinsically a global movement harnessing development goals to new market relations. On the other hand, it differs from the above movements to the extent that it focuses primarily on traditional issues of redistributive justice rather than a new generation of rights and duties. It also works to reinforce traditional organizations – cooperatives and trade unions - as instruments of collective action. As a reflection of this ambiguity the market option while dominant is permanently contested both in the promotion of alternative trading circuits and in the priority which key fair trade organizations give to campaigning and negotiations around national, regional and global trade policy (Wilkinson, 2006).

The market option itself is also permeated with tensions. Given the focus on the redistribution of “value added” along the supply chain its central feature involves agreement on new criteria for determining the workings of the price mechanism. The definition of a fair price based not on supply and demand but production costs and minimum living standards certainly draws on religious traditions of the just price and notions of the moral economy. Interestingly, however, it can also call on giants of modern economic theory and policy. Keynes argued that prices should be able to provide producers “with proper nutritional and other standards in the condition in which they live.... it is in the interest of all producers alike that the price of a commodity should not be depressed below this level, and consumers are not entitled to expect that it should” (Keynes, 1980 cited in Oxfam, 2000). The focus on redistributive justice has also benefited from the developments in moral philosophy and especially the highly influential work of Rawls arguing for the primacy of justice as a precondition for the diversified pursuit of the good (Rawls, 1971).

Nevertheless, while the principle of fair trading prices can find authoritative backing in a variety of traditions, the market strategy imposes additional demands. Fair trade coffee was initially bought as an act of political solidarity in spite of its taste. As a mainstream market option, however, it has become clear that fair trade products must

incorporate two other groups of values, relating respectively to conditions of production and “intrinsic” quality. In the first place, social justice is no longer dissociable from demands for the sustainability and healthiness of production systems. It is increasingly required, therefore, that fair trade products also be both organic and environmentally friendly. This fusion of social, health and environmental criteria, which is present also in the mainstream in the form of triple bottom line auditing, represents in practice a return to the holistic values which underlay each of these movements. The institutionalization of these values into separate movements, however, has created a series of barriers to their fusion (certification costs, organizational interests, competition for resources), even though the notion of sustainability can now be understood to comprehend these different components.

And secondly, the products themselves must have competitive “intrinsic” qualities, defined by the high quality segment of each market. Solidarity may guarantee one-off sales but repetitive purchasing on which market growth depends demands an attention to product in addition to production quality, including appearance, taste, aroma, packaging and nutritional characteristics. The more so since fair trade has a heavy focus on “pleasure” products – coffee, chocolate, wines, flowers and fruits. The attractiveness of the focus on redistributive justice is that it is eminently compatible with a strategy for social inclusion. To the extent, however, that other values become indispensable, whether relating to production conditions or intrinsic product quality, social inclusion becomes conditioned on the acquisition of minimum standards which in principle are less accessible to the “disadvantaged producers”, the privileged producer group of the fair trade movement. Mainstreaming, therefore, while decisive for market creation and expansion exerts a substantial toll not only on the image of the movement downstream but also on the extent to which it becomes distanced from its targeted producer base.

A further characteristic of these new market oriented social movements, to which fair trade belongs, is their effort to redefine the producer-consumer relationship. A common feature is their focus on the producer community rather than the product, or more precisely the social and environmental conditions of production, as constituent elements of the “qualification” of the product. To a large extent they can be understood as new style consumer movements, mirroring the “buyer” rather than “supplier” driven production chains which are seen to typify current global production networks (Gereffi,

1994). Consumer groups have been participants in National Labeling Initiatives, and in the form of responsible, ethical and organic consumption, they are an essential component of the fair trade movement. While at an analytical level the distance between producer and consumer is a social one, capable in principle of being reduced or eliminated by new contractual arrangements, transparency and independent certification and auditing systems, in practice the promotion of new consumer awareness tends to lead to a preference for closing the physical distance between consumer and producer. The fair trade movement, therefore, has become aligned also with the promotion of local markets and consumer supported agriculture, a feature common to the organics movement. A component of the fair trade movement, as a result, extends the notion of fair trade beyond the North/South divide to reconnect producer and consumers wherever they may be for the promotion of mutually sustainable production and consumption (Jaffe, Kloppenberg & Monroy, 2004)).

The peculiar dynamism of the fair trade movement is to be found in its combination of three different components – alternative trading circuits based on interpersonal relations and network sustained trust; the promotion of fair trade products in mainstream markets through a formalized labeling and certification system; and political campaigning or advocacy for the adoption of changes both in trade rules and leading firm strategies. While these components are in principle complementary, they are often seen as competitive and even incompatible alternatives by the militants and groups situated preferentially in one or other component of the movement. In recent years, the increasing institutionalization of the movement has pressured different organizations into a more specialized position within the movement. The scale of activities, whether this involves monitoring and participating in multilateral and transnational negotiations, consolidating mainstream markets or sustaining alternative trading circuits, has led organizations increasingly to opt for one or other of these different activities. Oxfam would be perhaps the most notable case, withdrawing from its trading functions to concentrate on advocacy.

This specialization simultaneously allows greater autonomy for the different components of the movement and at the same time sharpens dissensions over “the true spirit” of the movement. To the extent that mainstreaming deepens, those mobilized around alternative trading circuits see the principles of the movement as being placed in jeopardy. Italy’s largest alternative trading association, CTM Altromercato, has issued

an open letter calling for a campaign against the decision of the UK Labeling Initiative to license Nestlé, which has been echoed also by leading actors in the US, such as Global Exchange. Tensions also occur at the advocacy level where Oxfam's anti-subsidy campaign is seen by others in the movement – Coordination Sud, the French Federation of NGOs – as fundamentally a defense of free trade, similar to that adopted by the G20. At the same time, however, that tensions and conflicts have increased (and we will see below that these have been exacerbated to the extent that Southern actors have become a force in the global movement) the increasing institutionalization of the movement has led to convergences on the need for professionalism and greater responsiveness to market signals. This, together with the extension of mainstreaming now to non-food products, has led to greater collaboration between the alternative (IFAT) and labeling (FLO) wings of the movement. These two umbrella organizations, nevertheless, maintain very different approaches. In 2004 at the World Social Forum in Mumbai, IFAT launched its trade mark responding to the pressures of adjustment to market demands but involving a format - certification, largely participatory, of producer organizations rather than individual products- close to existing grassroots practices.

The specialization of the movement, therefore, may provoke more open conflict but it simultaneously creates space for this conflict to be negotiated. On the one hand, the tensions between the alternative and the labeling wings do not require a solution since both can dedicate themselves to autonomous activities. On the other, it is clear that each component is reinforced by the activities of the others. The campaigns conducted by the alternative trading wing – consumer awareness, fair trade festivals, days/weeks – are a powerful factor in promoting the market and directly benefit mainstreaming. At the same time, without the World Shops' networks of volunteer militants fair trade mainstreaming could rapidly be overtaken by own-label strategies of retail and dominant food firms. Similarly the political campaign and advocacy segment reinforces the public legitimacy of the fair trade movement endorsing its definitions and inhibiting its dilution into a mere marketing strategy. For its part, the entry of large-scale retail into fair trade exponentially expands awareness of fair trade products and principles and in doing so increases the public for alternative trading and campaigns. Analysis of the growth of the cotton products segment of fair trade would show how mainstreaming, political campaigning, and the promotion of alternative trading and retail circuits have created a virtuous dynamic benefiting all wings of the movement. As

a result, there has been significant political advance in the case of trade policy with regard to cotton from Africa, major retailers (Tesco and Marks & Spencers in the UK) have begun to invest in cotton products, and innovative alternative trading and marketing circuits are being created involving fashion and design directed primarily at young consumers.

Fair trade, therefore, is a hybrid social movement based on traditional values of redistributive justice but sharing with modern social movements an organizational base in NGOs and networks and a priority focus on the market for the realization of the movement's objectives. To the extent that it has adopted a market focus it has been forced to take on board a range of production and product qualities which define the preferences of its potential consumer base and bring it closer to other movements which focus on health, environmental nutritional and aesthetic values. At the same time, the parallel institutionalization of these movements increases the costs of what is nevertheless an already consummated convergence. The social movement's different components represent complementary functions but also respond to alternative strategic options, creating a mix of cooperation and conflict which while often seeming to threaten the future of the movement also provides professional and ideological space for autonomous growth and often with reciprocal beneficial externalities. Globalization and the emergence of independent southern actors have currently tipped the pendulum in the direction of tensions and conflict and it is to these who we now turn.

The Emergence of a Southern Agenda and the Globalization of the Fair Trade Movement

Fair trade has its roots in philanthropy and political solidarity. In both cases the South entered into the equation in the role of beneficiary. All the major organizations whose profiles we outlined above represented the consolidation of Northern actors, whether traders (EFTA), dedicated shops (NEWS), labeling organizations (FLO) or fair trade organizations (IFAT). Although this latter, however, began as a northern organization IFAT was the first to provide a platform for Southern producer groups and by the end of the '90s these had assumed a majority position. IFAT was most strongly represented in Asia and Africa with a primary focus on handicrafts. The labeling strategy, on the other hand, emerged as a joint initiative of Northern NGOs working with Latin American producer groups in the coffee commodity sector. While originally

conceived as a strategy enabling greater market access for producers, the demands of mainstreaming imposed a buyer driven logic to which producer groups had to adjust. Formal criteria deliberated in the Northern national labeling bodies were introduced covering organizational forms, labor conditions and production practices. Reaction to these criteria encouraged the development of a collective identity in the South transforming the beneficiaries of alternative fair trading into the producer component of a rules-based certified trading system. The Latin American Coordinating Committee (CLAC) of fair trade producer organizations was created to negotiate participation and specific demands (especially opposition to the registration of plantations) within the Northern labeling organizations now unified in the form of FLO. Similar organizations developed in Africa to defend local adaptations of FLO rules, in this case to plantation norms. In Asia, the key component of a southern agenda was identified as the need to extend fair trade to small and medium enterprises. In its turn, as we saw above, IFAT developed regional forums in Asia, Africa and Latin America which also increased the autonomous profile of Southern Fair Trade movements (Wilkinson & Mascarenhas, forthcoming).

The emergence of a Southern agenda can be associated principally with the increasing recognition that, even in the context of expanding markets, exports provide at best only a partial solution to income generation for peasant communities. According to FLO up to 5 million people indirectly benefit from access to certified fair trade markets. In all some 500 producer groups representing more than a million small farmers in 49 countries are registered with FLO. While this is an enormous organizational achievement, we are talking about some 10 producer groups per country. It is estimated that there are some 400 million very small (under 2 ha) farms worldwide and a further hundred million family farms (Nagayets, 2005). North-South fair trade, therefore, while a key component, could of itself never be a sufficient strategy for rural development. In addition, it has been calculated that fair trade sales average only 20% of total sales by FLO registered producer groups. While individual and collective benefits from fair trade prices have been widely documented, many analysts have concluded that the enduring benefits are to be found rather in the capacity building component of fair trade, the “embedded business services” in the language of international cooperation (Murray, D., L. Raynolds & P. Taylor, 2003, Redfern & Snedker, 2002).

In this light, an indicator of fair trade's success would be the degree to which registered producer groups enhanced their marketing capacity either with regard to conventional exports or insertion into the domestic market. The turn to the domestic market by southern fair trade activists can be seen therefore to be a logical extension of North South fair trade itself. In addition it corresponds to two further tendencies which characterize the movement in the South. The first of these is a generalized hostility to the "export oriented modernization model", seen as undermining food sovereignty in favor of luxury demand in the North. As against this, the solidarity economy orientation of many Southern fair trade activists has led to a focus on the promotion of alternative domestic marketing networks. This approach is shared by ATO organizations in the North which likewise combine North South fair trade with the support for local, direct sales markets in the North.

A second tendency however corresponds more directly to the transformation of the North South axis in the wake of globalization. In this case we are dealing with the creation of the conditions for mainstreaming within the domestic markets of the South, as important middle classes become consolidated. The potential of this market is beginning to attract the attention of retail and business oriented fair trading groups in developing countries. Mexico was the first Southern country to create a national fair trade system and similar tendencies are now at work in other countries – Brazil, South Africa, India. In addition to tensions articulated by the FLO producer groups in these countries, these national movements must also negotiate a wide range of interests from the solidarity economy to ethical trade. They are also influenced by the nature of the social movements which have emerged around the agrarian question, patterns of international cooperation, the profile of NGOs and the relations established between these diverse forces and the State in each country. The move to national fair trade systems in the South has been accompanied by the consolidation of South-South networks and the aspiration to substitute North-South by South-South fair trade. Initiatives in this direction mirror broader Southern Government tendencies with regard to conventional trade, as can be seen in the positions adopted by the G20 group of developing countries. While the importance of South-South conventional trade has sharply increased it is not evident, however, that the governing principles are distinguishable from those prevailing in North-South relations.

While South-South networks and regional networks within the South are becoming more important, stimulated in part by the global growth of the movement (as in the case of regional structures promoted by IFAT), each continent has developed its own priorities in relation to the global movement. In Latin America, where the dominant product has been coffee and the dominant organizations associations of small producers, the central issue has been opposition to the registering of plantations, which has been accepted by FLO in the case of coffee. In South Africa, on the other hand, the registering of plantations is not opposed but the FLO criteria are seen to be too timid, allowing in principle most of the plantation sector to be included. Here the central question is that of bringing the FLO standards into line with the policies for worker empowerment (du Toit & Kruger, forthcoming). In Asia, which has been traditionally more focused on handicraft production, the inclusion of small and medium firms using wage labor is the main issue of negotiation (Asia Fair Trade Forum, 2005).

To the extent that a North-South dynamic continues to prevail within the FLO labeling system, the increasing levels of organization of Southern producer groups has led to greater participation and to pressure for FLO rules to take local conditions into account. Globalization, on the other hand, is accelerating the reproduction of “Northern” market structures in the South which reinforces the move to national fair trade systems in the South, particularly in the larger middle-income countries. Mexico has already been recognized by FLO and other countries are now moving in this direction (Brazil, South Africa, India). If the Brazilian case is indicative of future trends we can expect to see the reproduction of the different components of the northern movement within the South. Mainstreaming will be accelerated by the transnationalization of large-scale retail. It is likely however, that the solidarity economy component will assume greater importance in the South, particularly in those countries where the State is active in the elaboration of policies related to food security.

Where is Fair Trade Going?

Analyzing Fair Trade as a new social movement with the market as a key terrain for the realization of its objectives allows us to eschew unilateral interpretations of the current acceleration of mainstreaming. Rather than representing this latter as a simple cooption of the movement, we have shown that mainstreaming has been accompanied both by a professionalization and revitalization of alternative trading networks and a

sharp increase in political campaigning and promotional activities largely dependent on voluntary activism. The élan of the social movement is also evident in the increased resort to networking with convergent movements – organic, ecological, abuse of corporate power and especially workers’ rights.

It would be tempting to characterize these new social movements as being market rather than policy based, but a variety of factors has led policy oriented campaigning to accompany the advance of mainstreaming. This is much more the case in Europe than in the US where, although public procurement campaigns for instance are in evidence, political campaigning is largely focused on the use of Fair Trade to counter the Free Trade Agreements. In Europe, where the principal Fair Trade organizations are located, policy oriented activities are motivated by a variety of factors. Important components of the movement (such as Oxfam, GB) have in the recent period focused their activity on the campaign for the adoption of alternative trade policies, whether national, regional or global. “Make Poverty History” and the “Trade Justice Movement” include specific demands for the reformulation of trade policy – debt relief, relaxation of quotas and tariff escalation (Oxfam, 2002).^{iv}

Campaigns in support of public policies favoring the Fair Trade movement as such are also very much in evidence. In principle this may seem curious since, with its roots in charity and/or political solidarity, the Fair Trade Movement emerged as a private initiative and has developed a sophisticated organizational and institutional structure. In addition, as a private certification movement it converges with the current dominant pattern towards the private regulation of new quality food markets. Nevertheless, a number of factors have led the campaign for public policy support to assume increasing centrality. On a very operational level, the increasing complexity of its organizational structure makes the search for financial support a pressing concern.^v Secondly, the identification of fair trade as a development strategy makes it a natural policy option for international cooperation programs. The British Government, through its Department for International Development (DFID), has been a key supporter of fair trade, not only in the provision of enabling services, but also in the promotion of innovative business structures, evidenced in its role in the promotion of the Day Chocolate Company, where the producer cooperative participates as shareholder (DFID, 2001).^{vi}

The Fair Trade movement has been very successful in winning support within the European Union, both via the European Commission and the European Parliament. The European Commission has positioned itself favorably with regard to Fair Trade since 1998 and has provided support on two fronts - the promotion of consumer awareness and the implementation of public procurement policies. The former is very much in line with the Commission's efforts to strengthen consumer organizations as a counterweight to the power of corporations in deregulated markets. Public procurement, on the other hand, may well fall foul of the WTO, although the suspension of the Doha round in 2006 may lessen pressures on these issues.

In France public support has gone a step further initiating measures for the regulation of the Fair Trade market. After a long period of discussions with Fair Trade movement representatives, the French norms body, AFNOR has now reached agreement on a definition of Fair Trade which it is hoped will provide the framework for future regulation. The AFNOR Reference Text published in January 2006 (Accord AC X50-340) defines three basic principles of Fair Trade: a balanced trading relation between the partners or contractors; follow up activities in support of producers and producer organizations; information and awareness raising for consumers, clients and the general public in relation to Fair Trade. The pressure for the public regulation of Fair Trade in this case has come from the alternative trading organizations who hope that in this way they will prevent the shift to mainstreaming from reducing fair trade to a niche market segmentation strategy. This would become the case, it is argued, if food companies and retail resort to their own Fair Trade labels, rather than licensing the movement's label. Anchoring Fair Trade within broader development principles through the mechanism of public regulation is considered by these organizations to be the most effective way to preserve the movement characteristics of Fair Trade. The European Parliament's approval of a resolution in support for Fair Trade in July 2006 and its request that the European Commission produce a specific recommendation on Fair Trade, may well mean that a European-wide regulation of Fair Trade is adopted along the lines of the AFNOR reference text which is specifically cited in the resolution.

Countering market mainstreaming, therefore, looks likely to take the form of the public mainstreaming of the Fair Trade movement. Within the movement itself, the debate on certification is a key issue. IFAT which had long worked in accordance with the alternative integrated trading model based on network generated trust adopted a

certification system at the Mumbai World Social Forum in 2004. While also being a response to the need for more formal criteria of quality recognition, this system, differently from FLO, certifies producer organizations rather than individual products. Nestlé, Starbucks and other corporations would therefore not be eligible since only a tiny fraction of their total sales obey Fair Trade principles. IFAT also adopts a certification system which converges with the participatory system being supported by grassroots organizations in some developing countries, a mixture of individual, mutual and external monitoring.^{vii} Participatory schemes have been adopted by movements which incorporate fair trade within a broader agroecological commitment, and who are also active in pressuring for the adoption of such systems within the international organics movement – IFOAM. In addition to questions of transparency and alternative viewpoints on collective learning and democracy the participatory systems are also seen to be more amenable to the promotion of convergences between different movements – social, organic, ecological – without incurring additional costs.^{viii} FLO in its turn has been working jointly with IFOAM to explore combined certification systems. While the tensions between these approaches are evident, many producer organizations adopt multiple certification systems. For their part IFAT and FLO have collaborated in the development of a certification system for cotton and FLO has been led to take developing country criteria more into account in the elaboration of its standards.

Concluding Remarks

Fair Trade is currently “on a roll” with its legitimacy high both in the market place and the State. Although this latter is not the case in the US, public sector involvement should not be seen as a European peculiarity since it also extends to the UN system, particularly UNCTAD. Many in the movement and much academic analysis have focused on the dangers of mainstreaming and this is clearly a risk for the independent image of the movement. Some, however, would see mainstreaming as the ultimate goal of fair trade with its standards being adopted as the bottom line for all trade (Tallontire & Vorley, 2005). As we have mentioned earlier, at one end of the spectrum fair and ethical trade clearly tend to merge (see also Smith & Barrientos, 2005). On the other hand, we have seen that political mainstreaming is also advancing at speed and in this case is being promoted by the more alternative wing of the movement, particularly in the efforts to establish a public regulatory system. Such an

approach is also evident in developing countries as in the case of Brazil (Wilkinson & Mascarenhas, forthcoming, 2007).

We have suggested that Fair Trade should be viewed in a holistic manner as a new social movement which combines very different dynamics, which are often in conflict but are equally often mutually reinforcing. In this sense mainstreaming has been accompanied by an intensification of campaigning activities and the expansion of the movement into new areas. The case of cotton and clothing is particularly instructive since this has involved all elements of the movement (albeit with different dynamics) and has led to close collaboration between IFAT and FLO. While large-scale retail is moving into this segment, alternative networks have emerged involving both new producer groups and dedicated outlets, together with more complex production networking extending particularly to design and fashion. In so doing it has also connected with a younger consumer generation, a crucial breakthrough for the future of fair trade as a movement.

This development has also fed into a longstanding solidarity tradition (expressed in the wearing of T-shirts and other accessories) where the frontiers between domestic and foreign networks are blurred. Many other factors are currently working in a similar direction, among which the most important are probably the convergence between Fair Trade and organics, public procurement programs and the promotion of Fair Trade towns, cities and even countries,^{ix} and the development of Internet marketing networks. Globalization is undermining the traditional North-South polarization and the movements for National Fair Trade systems in developing countries are evidence of this. We can expect therefore a greater convergence between Fair Trade and movements supporting a food system based on more direct producer consumer relations and local markets. The transnationalization of retail, supported by global supply and sourcing systems with common norms and standards, further breaks down the distinction between domestic and export markets.

While mainstreaming of itself may not represent a mortal threat to Fair Trade as a movement, the popularity of Fair Trade will certainly attract both opportunists and critics. Already the movement is being attacked for reproducing exactly the evils against which Fair Trade first positioned itself (Oppenheim, 2005, Jacquiau, 2006). Transparency it is argued occurs only at the producer end of the chain while the profits are still concentrated downstream where neither transparency nor price controls are in

operation. In addition, the traditional structure of the production chain is largely maintained with the South still reduced to raw material production and the “value added” activities remaining the privilege of the North. The movement has shown that the combination of tariff escalation and the persistence of tariff barriers make “upgrading” extremely problematic and political campaigning on these issues together with innovative alternatives (equity participation) are currently addressing this issue.^x Nevertheless as the big corporations buy into Fair Trade, transparency and the relative participation of the different actors along the production network will become crucial issues (see Raynolds, L., D. L. Murray & J. Wilkinson, 2007).

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ⁱ Particularly interesting in this respect is the success of fair trade tennis shoe exports from Brazil to Europe which captures the reciprocal relation between social movement activism and fair trade market growth.

ⁱⁱ The Dutch Ahold would seem to be the exception here since it promoted an alternative “light” certification system, the Utz Kapeh label, which is more flexible than FLO.

ⁱⁱⁱ In a recent paper Stiglitz has argued that both aid and trade are necessary since without the former in terms of physical and communicational infrastructure and capacity building the gains from trade are largely illusory. In the campaign for public sector support in Europe, the slogan has now become “Aid for Trade”

^{iv} Oxfam also makes demands on the leading corporations as in the demand that Nestlé dedicate a percentage of its sales to fair trade. When Nestlé subsequently adopted this policy (albeit, at least initially, on a more modest scale than demanded) and was duly licensed by the British Fair Trade Labeling Organization strong opposition emerged among proponents of the alternative trading networks. See CTM Altromercato’s Open Letter on this issue).

^v Funds for the FLO certification system were included in FINE’s request for support to the G8 Summit in Gleneagles, Scotland in 2005 provoking sharp opposition from alternative traders such as CTM Altromercato. The FLO certification system was initially unique in that it was financed by the buyer and not the producer organization. In an effort to speed up the certification process and also to align it with ISO 65 standards costs are now being charged.

^{vi} The complexity of public-private involvement represents a challenge also for governments as can be seen in the case of DFID which wanted to be formally part of the Ethical Trade Initiative (discussed earlier) but found that the WTO rules opposed Government’s being members of bodies which demanded the adoption of specific social standards (see Redfern & Snedkar, 2002).

^{vii} These systems have now reached a considerable degree of formal sophistication, as in the case of Brazil’s Ecovida model. See Fonseca (2005)

^{viii} The US Organic Consumers Association is an excellent example of this convergence being dedicated simultaneously to food safety, organics, fair trade and sustainability. It is leading the movement for joint certification systems and it may be via this avenue that public regulation on fair trade emerges also in the US.

^{ix} The Welsh and Scottish Assemblies have passed resolutions in this sense.

^x On the other hand, globalization has been accompanied by outsourcing and the desintegration of global production chains, allowing for the relocation of processing activities in developing countries. In this sense, Fair Trade suffers to the extent that it is still limited to a few commodities where either trade or technical barriers make upgrading difficult.