

Fair Trade: Opportunities, Tensions and Uncertainties

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The Argument

- **A contradictory development**
- **Potential contributions to SSE**
- **Tensions threatening SSE potential**
- **The uncertain future of Fairtrade**

The Development of Fairtrade: Some Contradictions

Contradictions with the FLO System

- **Competing Norms - within Fairtrade Int'l (FLO)**
 - Fairtrade Principles
 - Solidarity, Democracy, Sustainability, etc.
 - Minimum standards
 - Minimum price (?), Social premium, Quality standards, etc.
- **Competing Forms of Production - within FLO**
 - Small Producers
 - only 4 products exclusively produced by small producers
 - Large Estates
 - Dominate production in several products (tea, bananas, flowers)
- **Different Status/Power within Governance Structures**
 - Dominance of Northern Labeling Bodies (over producers)
 - Only recently were producers allowed representation, membership
 - Power differentials influence decision-making
 - Democratic credentials of some national labeling bodies?

Contradictions Between FLO and Others

- **FLO**

- Social Regulation → SSE and/or Corporate Accountability

- Governance

- Membership limited to Labeling Initiatives (NGOs) and Producers

- No corporate members

- Board composed of National Labeling Bodies and Producers

- Plus 3 independent positions

- Standards – Hard standards (but often monitoring, enforcement weak)

- **Other certifying bodies**

- Private Regulation → Corporate Social Responsibility

- Two Forms

- “Multi-stakeholder” models (Utz, Better Cotton Initiative, Fair for All)

- Self-Regulation models (Starbucks’ C.A.F.E. Practices)

- Governance

- dominated by corporations

- self-appointing boards (little or no accountability)

- Standards

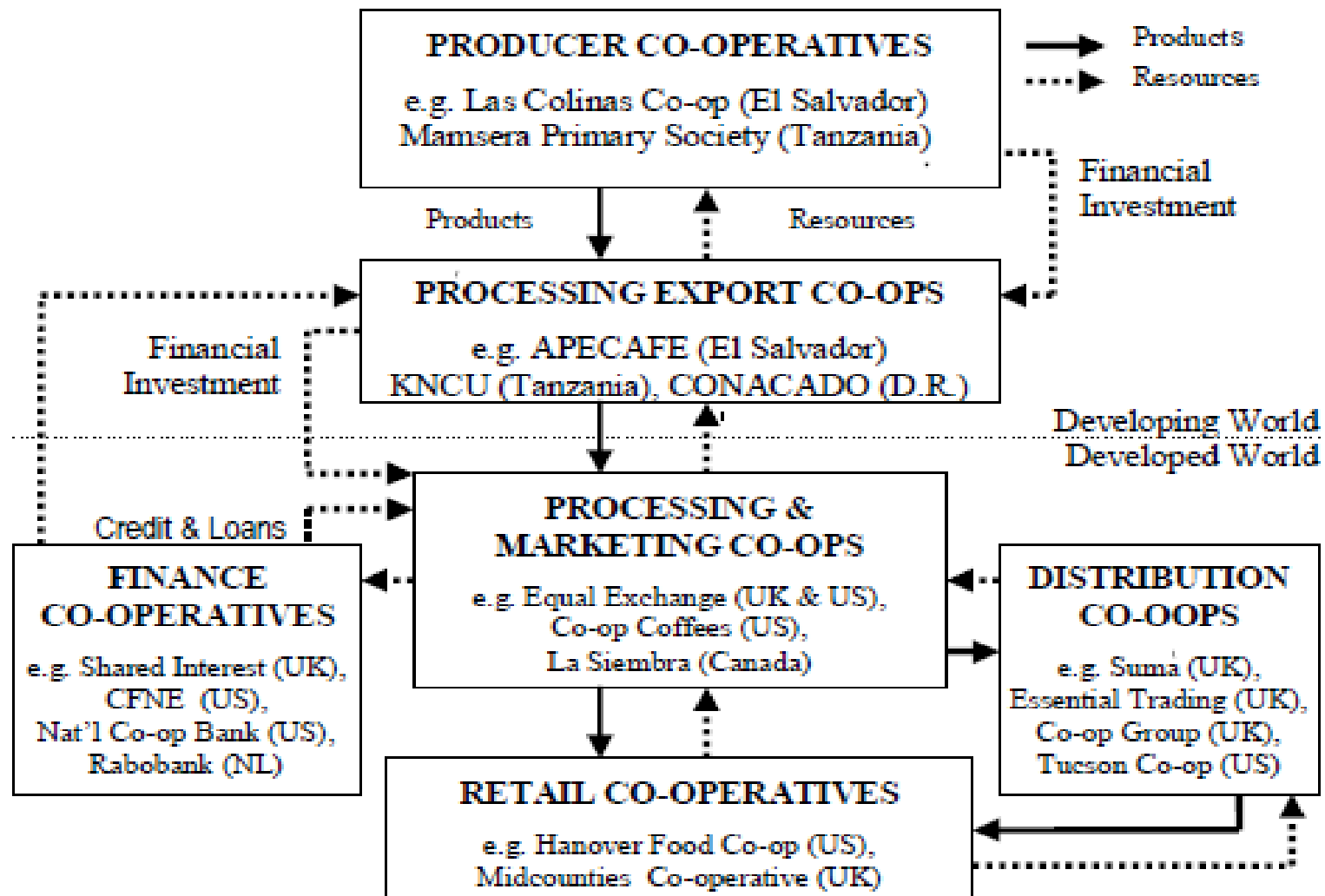
- soft standards – often voluntary, best practices (corporate friendly)

- weak monitoring

Fairtrade Value Chains

Nature of the Value Chain	Corporate Involvement	Form of Exchange
1) 100% social & solidarity economy	none	Solidarity-based relations
2) social economy & solidarity dominant	retail	Solidarity-based relations
3) corporate dominant (some small producers)	retail & licensing	Socially-regulated market relations
4) 100% corporate	retail, licensing & production	Socially-regulated market relations
5) corporate dominant (some small producers)	retail & licensing	Privately-regulated market relations
6) 100% corporate	retail, licensing & production	Privately-regulated market relations

SSE (Co-op) Value Chains



Opportunities for Fairtrade as SSE Bodies

Opportunities as SSE Value Chains

- **Capacity Building for Producer Organizations**
 - Access to resources (finance, technical support, etc.)
 - Learning (markets, organizational structures, etc.)
 - Scaling up
 - Moving up value chains
- **Community Development**
 - Social and economic infrastructure
 - Public engagement
- **Development of New Product Markets**
 - Agriculture
 - Resources
 - Manufacturing
- **Development of New Markets for Products**
 - Domestic Fairtrade
 - South-South Fairtrade

Opportunities as SSE Producer Networks

- **Capacity Building**
 - Peer to peer learning
 - Resource sharing
- **Education**
 - Consumers, government agencies, producers, etc.
- **Advocacy and Public Policy**
 - Local and national government
 - International agencies
 - Certification bodies

Opportunities as SSE Regulatory Bodies

- **Two possible avenues**

- FLO System
- Producer Networks
 - CLAC's Small Producer Label ("Beyond Fairtrade")

- **Functions**

- Establishing Norms
 - identifying SSE organizations in Fairtrade
 - Small producers, Alternative trade organizations
 - minimum standards
- Facilitating business relations
 - between SSE enterprises
 - between SSE enterprises with conventional firms (minimum stds)
- Education
- Advocacy
 - Trade reform, public policy

Tensions in Fairtrade as SSE Bodies

Tensions Within and Among Producer Associations

- **Three regional producer associations**
 - Latin America and the Caribbean
 - What limits on Fairtrade products?
 - Resources?
 - What roles as producer organizations
 - Own certification?
 - Africa
 - How small are small producers?
 - How marginalized?
 - Asia
 - Estates as producers organizations?

Tensions from Unfair Competition

- **Unfair Competition within FLO**

- Unfair competition from large estates
 - Large estates have lower costs
 - Can squeeze out small producers
- Unfair Competition from large retailers
 - ATOs have higher costs
 - Live up to fairtrade principles (not just minimum standards)
 - 100% fairtrade
 - Can be squeezed out of the market

- **Unfair Competition from non-FLO bodies**

- Efforts to confuse consumers
- Use of market power (access to distributional channels)

Tensions in Governance (within FLO)

- **Different Goals**
 - Poverty Eradication vs.
 - Empowerment of Small Producers
- **Different Target Audiences**
 - Small producers vs.
 - Agricultural workers
- **Different (institutional) Interests**
 - small producers vs.
 - Labeling bodies
- **Different Analysis**
 - Free markets (competitiveness) vs.
 - Oligopolistic markets (unfair competition)
- **Different Strategies**
 - Rapid growth (new products, lower standards) vs.
 - Slow growth (consolidating markets, learning)

The Uncertain Future of Fairtrade

Uncertainties

- **Which “Fairtrade” Regime will prevail?**
 - Which actors will be key protagonists?
 - What are the key sites of contestation?
 - Which strategies will win the day?

Corporate Social Responsibility

- **Actors**

- Large Corporations

- Food Retailers, Specialty Chains, Agro-food Industries, Estates
 - Industry bodies
 - Cross-sector bodies (WBCSD)

- NGO partners

- Astro-turf organizations
 - Pragmatic/resigned/desperate/naive NGOs

- **Key site of contestation**

- market

- **Strategies**

- Voluntary regulation

- A “market for values”
 - Lobbying activities (to ensure a market approach)

- Mass Marketing

- Imitating SSE, CA initiatives
 - To confuse, mislead consumers

Corporate Accountability

- **Actors**

- NGOs, Social Movements

- Development, Environmental, Social Justice (religious-based)
 - Focus on poverty reduction

- Labour unions

- in agricultural commodities
- northern, southern supporters

- **Key Site of Contestation**

- state

- **Strategies**

- Strengthen regulation on corporations

- Labour & environmental stds
- Trade agreements, purchasing policies

- Mobilization to pressure states

Social & Solidarity Economy

- **Actors**

- Agricultural Producers
- Other SSE actors
 - Northern importers, distributors (co-op retailers)
- Consumer/Citizens, Social Movements
 - Relations of solidarity

- **Key Site of Contestation**

- Production

- **Strategy**

- Social economy value chains
 - Bonds of solidarity
- Supportive public policy
 - To control promote SSE, To constrain corporate power
- Education and mobilization

