BELGIAN SCIENCE POLICY

Scientific Support Plan for a sustainable development policy (SPSD II)
Part I. “Sustainable consumption and production patterns”

A Fair and Sustainable Trade, between Market and Solidarity:
Diagnosis and Prospects

SUMMARY REPORT

Coordinator : Marc PONCELET(Prof., Université de Liège)

Teams :

Service Changement Social et Développement, Université de Liège (dir. Marc PONCELET)
Centre d’Economie Sociale, Université de Liège (dir. Jacques DEFOURNY)
Marketing Department, Management School Universiteit Antwerpen (dir. Patrick DE PEELSMAKER)

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INTRODUCTION

This research project addresses the general issues of sustainable development. Its objective is to analyse fair trade and its potential extension as a sustainable and responsible means of production and consumption from the point of view of North-South relations, economic fairness and also as a new ethical way of consuming in the North. We examine all the stages (from producer to consumer) of fair trade in terms of their economic, sociological and marketing aspects. This interdisciplinary research was conducted by three teams, the Changement Social et Développement (CSD) service and the Centre d'Economie Sociale (CES) of the Université de Liège (ULg) and the Department of Marketing of the University of Antwerp (UAMS). It aims to provide a new and scientific basis for fair trade, both theoretical and empirical, by combining different (and integrated) approaches.

Our interdisciplinary method has the following stages:
- A study of producers, mainly through the analysis of the socio-economic conditions experienced by the producers, their organisation and their businesses environment;
- A study of industries, through an economic analysis of fair trade industries (breakdown of price and added value through the collaborative implementation of the new Fairtrade Labelling Organisation method for determining prices - the products studied are coffee and bananas); through a marketing analysis of the distribution strategies for fair trade products; through a study of volunteering and human resources in sales points.
- A study of consumers through the analysis of the demand for fair trade products, consumer profiles and their purchasing behaviour. We also considered fair consumption as a social commitment from a sociological point of view.

Through a combination of theoretical analysis, field studies and a marketing analysis, the main objectives of this research are as follows:
- Analyse fair trade throughout the sector (from producer to consumer) and its potential for extension as a sustainable and responsible means of production and consumption within the context of North-South relations, fairness in economics and as a new ethical mode of consumption in the North;
- Compare the fair trade approach with traditional development projects and analyse its strengths and weaknesses as a means of fighting poverty and providing fairness in North-South relations;
- Provide a reliable conceptual and theoretical basis for fair trade, combining its economic, sociological and marketing aspects;
- Conduct a marketing study of fair trade;
- Produce scientifically justified recommendations relating to fair trade support policies.

MAIN RESULTS OBTAINED

Theoretical analysis of fair trade

In the absence of specific economic literature on fair trade and given the scepticism with which it is viewed, we decided to use economic theories to put its dynamics into perspective. Theories relating to the third sector justify the existence and determine the role of fair trade partners in the economic fabric. These theoretical analyses have also highlighted the importance, for the identity and viability of fair, trade of being able to combine two different objectives (solidarity and business) successfully. Furthermore, the neo-liberal theory of international trade teaches that all price distortions on world markets inevitably leads to inefficient resource allocation and it could be argued that fair price, by falsifying market signals, does not let everyone obtain the maximum benefit from the exchanges provided by international trade. We thus applied ourselves to demonstrating that this view is narrow-minded and that, far from leading to inefficient resource
allocation, fair trade is, in reality, fully compatible with economic efficacy and is not in contradiction with market conditions.

Fair trade consumption and social commitment

Methodology and sample presentation

In 2002, a literature review was completed with the focus on fair trade in general and the consumer behaviour and marketing aspects of it in particular (the ethical buying decision-making process and consumer profiles). Also in 2002, four focus group discussions (two in Antwerp and two in Liege) with eight persons each were conducted and reported. For the composition (quota) of the groups demographic factors as well as socio-psychological factors were taken into account. The objective of the exploratory focus group studies was to corroborate and complement the findings in earlier research and to collect information on variables and factors to be included in the conclusive quantitative studies. In May-June 2003, a conclusive and quantitative survey was carried out. Questionnaires were sent by mail to a representative sample of 5,000 Belgians who were responsible for the daily purchasing of consumer goods. In addition, 1,200 of the same questionnaires were distributed among consumers of 40 Oxfam World shops. After cleaning the data file there were 615 respondents for the Belgian sample and 243 for the World shop sample. The purpose of this study was to measure knowledge, attitudes and behaviour with respect to fair trade issues, products and marketing practices. During the summer of 2004 an explanatory model of fair trade buying behaviour was built, using the dimensions measured in the survey (knowledge, attitudes, intentions and behaviour, information, perceived consumer effectiveness) as determining factors. This model was applied to a representative Belgian sample and to a sample of Oxfam World Shop customers. To design and test this model a structural equation model (SEM) was estimated, using AMOS (SPSS). To gain insight into the aspects of fair trade distribution and communication (promotion) and the relative importance of different types of labels, a conjoint analysis by means of a web-based survey was organised in June 2004. The web survey was constructed using the SKIM Software (SSI Web/ACA Web). This web survey was sent to a sample of 5,500 Belgians (all the employees of the University of Antwerp, the University of Liege, and the Vlaamse Uitgevers Maatschappij). A total of 750 completed surveys were received. In this study, the different preferences towards product characteristics were related to consumer attitudes and socio-demographic characteristics.

Consumer behaviour and marketing with respect to fair trade

The literature review, the focus group discussions and the results of the Belgian survey indicate that people have a rather good knowledge of the fair trade concept, but that they tend to add other components (social and environmental) to the concept of fair trade. The knowledge of the different fair trade contributors was modest; the Oxfam world shops were best known. Most consumers are leaning to a more positive approach with respect to the relevance and effectiveness of their own personal (buying) behaviour. (?) With regard to attitude towards fair trade in general, the concern with fair trading is more present than is scepticism. The overall likeability (taste, health, quality) of fair trade products is moderate. Most respondents feel that the fair trade products are too expensive and that the effort to buy fair trade products is too high. The distribution of the fair trade products is experienced as very poor. Consumers are most in favour of putting the fair trade products on the same shelf as products of the same product category. Furthermore, the specialty shops are perceived to be too sober and too unfamiliar. A positive point is the personal service and the knowledge of the staff. The most important reasons for the people to buy fair trade products are that it gives a fair price to the farmers and manufacturers from the South, that it has a safe and honest production process (no child labour, etc.) and that it gives the Third World producers the chance to retain their dignity and autonomy. There are three important reasons to hold consumers from buying fair trade products. The most important reason is the lack of information: they claim to would be stimulated to buy fair trade products if they were better informed (hence, more general
information on the fair trade concept or more package information). Consumers also ask for the products to be available in regular supermarkets and to lower prices. In every study of this project these three factors appear to be the main reasons for the gap between the relatively positive attitude towards fair trade and the relatively low market share of fair trade products.

Exploring the differences between subgroups of the Belgian sample, the following significant demographic variables were found. Female consumers have a better knowledge of the fair trade concept and they are less indifferent to it. They like the fair trade specialty shops and buying fair trade does not seem to cost them as much effort as it does for the male respondents. The only issue in which females are more negative than males is their perception of the amount of available fair trade information. French speaking consumers score better than Dutch speaking ones on a number of dimensions: they have a better knowledge of the fair trade concept, they do not have an effort-problem, they like the specialty shops, they have fewer problems with the soberness of the shops and with the small amount of available info. However, they incline less to action (resign more), are less concerned about the fair trade issue, like the products less, and they have lower buying intentions. Lower educated consumers have more problems with defining fair trade: they add other corporate social responsibilities (CSR) as environment and non-genetic manipulation to the definition of fair trade business. They appear to be more sceptical towards the fair trade concept and indifferent to the products. They tend to resign more and they have more problems with the quality of available information on fair trade. Consumers with a university degree are less sensitive to the price of fair trade products than others. There also appear to be some differences among age groups. Older consumers think fair trade shops are too sober and the quality of information is bad. Midlife consumers have the best knowledge of the fair trade concept. Young consumers are less concerned about the issue than older people. They incline less to action and they tend to resign more. They also think fair trade products have to become cheaper. Young people buy fewer fair trade products. Having children or not does not seem to be a differentiating variable, except for the fact that people with children have more problems with the limited assortment of products. Consumers with lower income have more problems with defining fair trade, they are more sceptical towards the fair trade concept, indifferent to the products and they tend more to resign. They have more problems with the price of fair trade products and the quality of available information. People with a higher income have lower product likeability.

Conclusively, education (+), income (+), age (mid life) and gender (female) are significant demographic variables for fair trade.

An integrated explanatory model of fair trade buying behaviour was estimated. Similar to what was indicated in literature, the focus group discussions and the survey results, the behaviour model confirms that knowledge is an important factor (+) in determining the general attitudes towards the fair trade issue. The quality and quantity of information have a lot of influence on buying behaviour, but only in an indirect way (via product attitudes). People prefer small amounts (low quantity) of very good (high quality) information. The general attitude towards fair trade (concern) has a positive effect on buying behaviour, directly as well as indirectly (through product attitudes). This confirms earlier findings and the results of the focus group discussions. Scepticism has an indirect influence on buying behaviour via product attitudes. The product attributes 'indifference' and 'price' significantly determine buying behaviour. Contrary to what could be expected from previous research and the focus group discussions, the behaviour model shows that perceived consumer effectiveness (the perceived impact of individual actions) has no significant effect on buying behaviour.

To gain further insight in the distribution and promotion aspects of fair trade products and the importance of ethical product labels a conjoint analysis was carried out by means of a web survey. Previous research and the results of the focus group discussions pointed at the importance of package (label) information, credibility of the label issuer and marketing and media attention. The web survey shows that especially the distribution of the labelled product and type of label are the most important factors. The brand of the labelled product and package (label) information are less important. Respondents of this web survey prefer a situation where the fair trade product (in this study a pack of coffee) is grouped with the other 'normal' coffees (similar result as in the Belgian
marketing survey). A special fair trade/social/bio/eco store department and especially a specialty shop are welcomed with much less enthusiasm. The second important attribute is the type of label. Within this attribute a fair trade label is indicated to generate the highest preference, followed by the social label, the eco label and the organic label. Of third importance is the issuer of label. Respondents trust the European government as well as a non-governmental organisation the most for issuing and controlling a label. When the issuer is the Belgian government, credibility of the label decreases substantially. The package information attribute is of fourth importance. Explanatory information on the back of the package besides a front label generates a significantly higher utility compared to the situation with only a front package label. With regard to the brand attribute, a manufacturer brand generates a significantly higher utility than a private label. Finally, contrary to what was concluded earlier (in previous research and in the focus group discussions), the results of this web survey showed that advertising the label on radio/TV/newspaper and magazines generates a significantly higher preference compared to an informative folder that is sent to customer.

Fair trade as a political and social commitment

Fair Trade Consumption as a social commitment (study of Oxfam customers)

Beside an increasing level of recognition of fair trade and its products, surveys regularly show a constantly favourable attitude to this type of trade. Nevertheless, these surveys always highlight the large difference between this positive attitude and actually purchasing, which remains quite low despite regular market growth. Based on the study of Oxfam world shops' clients, it can be hypothesised that fair consumption requires that one has previously acquired specific resources that makes one more likely to act in a way that corresponds with the movement's principles. This led us to test 4 hypotheses: Oxfam customers show a different profile from conventional consumers, especially in terms (Hypothesis 1) of belonging to particular social categories (gender, level of education, level of participation in the associative sector, religious education) but also (Hypothesis 2) of level of awareness of fair trade or the intensity of their commitment to the movement. This difference in profile is also shown by (Hypothesis 3) different forms of commitment, based on the fact that they perceive the causes of the problems affecting people in the South in different ways. There is no uniform commitment to fair trade among Oxfam customers. There are a number of dimensions (aid/solidarity/justice) which we may be able to put into perspective with the profiles of different customers (Hypothesis 4). We combined our questions with those of the marketing team and conducted, in May/June 2003, a survey by questionnaire using the method described earlier. Our analysis was more focussed on the sample of Oxfam clients. However, so as to understand the uniqueness of these clients, we have compared the results from this group of respondents with those obtained from average Belgian consumers.

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1 Indicators: Gender; Age; Education level; Socio-professional status & Employment; Education and religious practice; Region/Language; Number of children and age of the youngest; Marital status; Incomes; Political positioning.

2 Indicators: Channels of acces to fair trade; Reasons for purchasing fair trade products; Frequency of purchase and budget for the purchase of fair trade products.

3 Indicators: Integration in associative networks; Forms of 'commited' actions; Perception of the problems of developing countries favoring the commitment to local populations (causal attribution).
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<tr>
<th>Main hypothesis</th>
<th>Hypotheses</th>
<th>Comments</th>
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| Differentiation of Oxfam world shops' clients from Belgian consumers by social profile, relation with fair trade and civic commitment (in favour of the South) | **Hypothesis 1**  
*Magasins du Monde/Wereldwinkels clients have sociological characteristics different from Belgian consumers.*  
- Differentiation by various sociological criteria  
- Identification of two profiles that are over-represented amongst Oxfam world shops' clients compared to Belgian consumers: 'the young' and the 'over 45'.  
- Over-representation of supporters of left wing politics amongst Magasins du Monde-Oxfam clients | |
| | **Hypothesis 2**  
*Oxfam world shops' clients are not simply different in their sociological profile but also by a more committed relationship with fair trade.*  
- Oxfam world shops' clients consume more fair trade products and spend more on them.  
- This consumption is more related to a commitment to a cause.  
- More of their purchases are made within world shops. Additionally, they are very loyal to their shops and much prefer them to supermarkets. It would also appear that buying a fair trade product in a world shop is a much more militant act than buying it in a supermarket. | |
|  | **Hypothesis 3**  
This profile difference also involves different types of commitments specifically in favour of the South, based on different perceptions of the causes of under-development. |  
- This type of client is more involved in the associative sector.  
- Oxfam world shops' clients are regularly more active in all types of civic action.  
- Their charity activities are slightly lower than those of the average Belgian consumer but their political and solidarity / equality activism is much more developed.  
- The South seems to be more important in their commitment.  
- They seem to have a more 'South-orientated' vision of their commitment. This can be explained by a conception of North/South relations that does not give too much importance to local causes of under-development and favour a more general view that balances the local and external explanations. |
|  | **Hypothesis 4**  
*The commitment to fair trade is not uniform amongst Oxfam world shops' clients. The commitment to fair trade has a number of elements (aid, solidarity and justice) which could possibly be related to different client profiles.* |  
- The 'Charity-orientated' is the most common profile. However, it is under-represented amongst Oxfam world shops' clients compared to Belgian consumers. The group of older clients, mentioned above (hypothesis 1), partially corresponds to the 'Charity-orientated' profile.  
- The 'Solidarity-orientated' and the 'Justice-orientated' have similar tendencies. The 'Justice-orientated' profile also partially corresponds to the young client, mentioned above (hypothesis 1). Both profiles appear to be more politically committed. |

**Oxfam world shops’ human resources**

One of the traditional characteristics of the movement is that products are mainly sold by retail in shops that are run by volunteers. In Europe there are more than 2,500 world shops grouped within NEWS! (Network of European World Shops), which are run by 100,000 volunteers. There are over 6,500 in Wereldwinkels in Flanders and over 3,000 in Magasins du Monde in the French-speaking Community. Without doubt, these volunteers are a significant advantage in the
commercialisation of fair trade products (at a time when new sales routes are appearing for fair trade products). However, this advantage may be fragile as it is based on commitments of variable intensity, both in terms of nature and motivation, but which are also very real for thousands of individuals who support distant peoples. We thus need to investigate the durability of this atypical model of voluntary commitment.

Based on discussion groups organised with groups of a dozen world shops' managers we can make the following comments:

- Two forms of commitment seem to be present within world shops: occupational volunteering and militant volunteering.
- There are three main reasons that explain why volunteers work for world shops. Firstly, there are moral reasons that give priority to either the historic responsibility of Belgium and the West for the misery in the world or a certain moral duty to help the less well off. Secondly, there are personal reasons related to the volunteer's life experiences: the commitment provides an opportunity to create relations or to become useful again. Finally, there are political reasons related to promoting a collective cause.
- Volunteers suggest three main reasons to explain why their commitment lasts. The utility of their work for society is a first significant aspect for volunteers in development non-governmental organisations. Secondly, the possibility of personal achievement, without any pressure, are important. Thirdly, there is the importance to the volunteer of developing a relational network.
- It seems that recruiting new volunteers is made difficult (especially in the larger towns) for world shops for several reasons, linked both to issues of competence of the volunteers and their ideological commitment. Two concepts of volunteering appear. On the one hand, what is underlined is the need for competence requirements so that the commercial activity is as effective as possible, whilst on the other hand, others consider that one must build on existing competences, and rely on 'on-the-job' learning.
- Relations with Oxfam's national centre are within the framework of a well-organised decentralisation (we can almost call it a delegation). To be precise, the national centre tends to delegate responsibility and autonomy as much as possible to the world shops and their managers. Regional managers give advice, not directives, and are not there to exercise control. This giving of responsibility and significant autonomy to the shops and their managers is seen as a positive thing. However gaps in communication were mentioned at two levels: between the shop and the national centre, on the one hand, and among shops from various regions, on the other hand.

Public policies

The legal study was intended to evaluate the options for support from the public authorities for fair trade within the rules of international trade, on the one hand, and in the framework of public procurement markets on the other hand. For this second aspect, we supported the lobby established by the fair trade organisations with a view to maintaining the possibility to include ethical dimensions in the process of modification of European directives. Within the framework of the financial protocols attached to the Cotonou convention, aid of about 25 billion €, spread over 5 years, is available for the ACP countries on the basis of a 'project plan' that details their cooperation strategy. This project plan must describe the proposed development plans and the required financial aid. These plans take the form of a 'National Indicative Programme' (NIP). Most NIPs include a 'rural development' section, sometimes coupled with food security. However, the contents of these sections vary greatly from one country to another. Policies for supporting farmers could be

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4 Heard during a discussion: 'Personally, I think it is important for the partners. I often wonder why I do it and I say to myself that it’s to allow the small producers to live with more dignity. It’s just a drop in the ocean, everything that I can do, but I know that it will let a few people live with more dignity.'

5 Exceptions include the case of Benin (where the Commission has stopped, since 1993, supporting agricultural production and has abandoned the "integrated rural development" approach, reorienting its actions towards structuring rural areas - creation of socio-economic infrastructures: tracks, schools, health centres, markets - and institutional development) and of Tanzania.
included within this section. In fact, some NIPs propose support for export and non-traditional sectors with a development potential. The form that these support policies should take (setting up state infrastructures, support for existing private or community organisations...) should be examined on a case-by-case basis that takes into account the specific traditions of each country.

The possibility of offering a preferential tariff treatment to products labelled as 'fair trade' products in the framework of the EU Generalised System of Preferences (hereinafter referred to as GSP) could also be envisaged. A tariff of 0% is already applied to many basic products (such as coffee). For these products, the tariff preferences solution is therefore not relevant. Conversely, the tariffs applied to products such as honey and bananas are the normal custom duties of 16% and 17.3% respectively. The tariff for bananas is reduced to 12.5% for countries benefiting from the GSP and the tariff for both products is reduced to 0% for ACP countries. Consequently, an incentive regime would be useful for some products. A review of the jurisprudence of the WTO’s Dispute Settlement Body indicates that any incentive regime must not discriminate among beneficiaries and must be open to all countries benefiting from the GSP.

Finally, the state can support the dynamic of fair trade as a consumer. Fair trade players are aware of the crucial importance of the public markets for the sector. They often conduct campaigns to this end and mobilised themselves when the directives on this issue were being revised. This legislative process has led to many debates about the possibility of including ethical elements in public procurement. The debate went in favour of the followers of a neo-liberal approach to the markets. The new directives have in fact greatly limited the possibility of responsible consumption by the awarding authorities. The Belgian law, which had taken the opposite approach in 2003, is now being revised to meet the new European standards. Attention will have to be paid to this process to ensure that what had been achieved will be maintained to as large an extent as possible.

Social and economic conditions of fair trade production

Our field studies took place in four countries and dealt with two fair trade products: bananas (from Costa Rica and Ghana) and coffee (from Tanzania and Nicaragua). The methodology implemented for this study assesses fair trade in the light of its efficiency, effectiveness, impact, sustainability and relevance; these are the five project evaluation criteria traditionally advocated by the OECD Development Co-operation Directorate (DAC). The structure of the methodology resembles that employed in the Poverty and Social Impact Analysis (PSIA) carried out by the World Bank. Obviously it was adapted to the scale of our study and to our subject (a fair trade project). This structure is based on two levels: (1) a stakeholder and institutional analysis and (2) an evaluation of a fair trade project (impact, efficiency, effectiveness, sustainability and relevance, etc.).

Overall, it seems that the impact of fair trade is greatest and most easily identified in terms of increased human capital, knowledge, new know-how (production, treatment, commercialisation and export) or social capital (network, relations, integration in the international developing complex). In other words, it’s the development and solidarity elements of fair trade projects that are most likely to bring about change.

The impact of fair trade projects on physical, natural and financial capital would more variable or harder to identify, or even ambiguous. It is for example true that fair trade organisations help with the granting of loans that are usually inaccessible for most small producers. However, we noticed that the fair trade bonus was often used to reimburse these loans and so results in only partial autonomy of the partner from the fair trade organisation. It seems that there is some double-speak by certain fair trade organisations that, in addition to providing a reliable commercial partnership and protection against price fluctuation (especially downwards), claim to be making advance payments (prepayment), whilst in reality, what they offer would better be described as a loan with reimbursement requirements and – sometimes substantial - interest rates.

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6 See the case WT/DS246.
7 Especially Nicaragua and Tanzania.
8 Primarily Nicaragua.
Politically, whilst fair trade projects originally targeted countries with alternative development policies (Algeria, Nicaragua, Tanzania to mention only a few), there is currently rather a trend to apoliticism in the South (cf. criteria for entering a Nicaraguan cooperative, Costa Rican producers not favouring the development of union representation within their plantation). This apoliticism contrasts with the highly politicised lobbying and advocacy policies in the North. The North's slogans - 'another world is possible' and "rifles" the word shops, not the third world' are hardly ever heard in the South; at a time when Oxfam appears as an important player in the anti-globalisation movement, it might seem that the fair trade movement only knows producers in the South and consumers and decision-makers in the North. Although the aim is 'trade, not aid', are the values of solidarity and justice advocated by a good part of fair trade organisations in the North only relevant in debates in the North?

Impact analysis (summary)

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<tbody>
<tr>
<td>Very satisfactory</td>
<td>improved knowledge, techniques, export abilities, commercialisation</td>
<td>network, // fair trade organisations and non-governmental organisations</td>
<td>improved roads (in // with other development projects)</td>
<td>improved production conditions (environment)</td>
<td>improved access to favourable loans but no real advance payment. Financial strengthening of cooperatives. Relative price stabilisation for small producers but it is difficult to evaluate the specific fair trade impact</td>
<td>demands, rights, gender</td>
</tr>
<tr>
<td>Satisfactory</td>
<td></td>
<td></td>
<td></td>
<td>Natural Capital: improved production conditions (environment)</td>
<td>Financial Capital: improved access to favourable loans but no real advance payment. Financial strengthening of cooperatives. Relative price stabilisation for small producers but it is difficult to evaluate the specific fair trade impact</td>
<td></td>
</tr>
<tr>
<td>Insufficient</td>
<td></td>
<td></td>
<td></td>
<td>Physical Capital: improved roads (in // with other development projects)</td>
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The analysis of the logical framework of fair trade allowed us to identify that the expected results (increased incomes for small producers, price stabilisation, decent working conditions, capacity building, direct access to markets, improved sustainability of activities), specific objectives (improving the living conditions of small producers) and general objectives (improving commercial relations to the advantage of the producers in the South and sustainable production methods) seem to be achieved virtually everywhere, but to various degrees. More specifically we noted that:

- Fair trade tends to improve commercial relationships and access to different markets by allowing access to international markets through:
  - the development of export abilities (Tanzania),
  - the establishment of commercial relations with new partners, and not only within the fair trade sector (Tanzania, Nicaragua),
  - access to specific niches in the world market (high quality, organic products),
  - price stabilisation that is important during crises (the coffee industry experience in Nicaragua is informative!).

- Fair trade allows to maintain family and cooperative production methods in a sustainable way:
  - at the social level, by respecting working conditions (cf. OIT rules in Ghana, cooperative principles in the other 3 countries) and sometimes initiating a reflection on or implementation of a strategy aiming to empower (some) female producers;
  - at the economic level, by guaranteeing a minimum income (Ghana) and by relatively stabilising these incomes;
  - at the environmental level, by promoting organic production or use of more environmental-friendly production techniques.
Based on our fieldwork, we can make the following conclusions concerning the viability of fair trade projects and their pertinence for sustainable development.

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| • Capacity building  
  - Exportation  
  - Management  
  - Production technique: quality process, organic production  
| • Fair trade trap  
  - Belief in ‘without me, no future’  
  - Impossible to diversify partnerships or production and get out of the protective cocoon.  
| • Values and standards  
  - Taking into account the subjects of gender, ecology, and workers rights in a particularly aggressive context  
  - Cooperative spirit / solidarity / democratic management  
| • Lack of visibility or ideological/political commitment of producers  
| • Commercial partnerships  
  - Long-term  
  - Price stability  
  - Access to loans  
| • Occasionally a lack of transparency in managing the bonus  
| • Development pole  
  - Access to the ‘international developing complex’  
  - Strengthening the cooperative sector, combining business and development  
| • Production volumes are sometimes too small but paradoxically the traditional fair trade markets are often saturated)  
| • Organisational form and capital holdings in partners (e.g. VREL)  
| • Dilution of the fair trade benefits among actors in the South and because of the small share of production that is sold as fair trade.  
| • Projects are often limited by physical obstacles (fungi, soil, climate)
### 4.3.4. Analysis of the main players: Summary of observations

<table>
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<tr>
<th>Stakeholders</th>
<th>Nature (comments)</th>
<th>Issues</th>
<th>Strategies</th>
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<tbody>
<tr>
<td><strong>Producers</strong></td>
<td>Owners of small plots (family production) Exclusion from international markets Not the poorest of the poor (have a minimal amount of economic and social capital needed to access fair trade)</td>
<td>Improvement of living conditions Improvement of production conditions</td>
<td>Seek to diversify income sources in a context of liberalised markets (Nicaragua, Tanzania) or Stop producing and migration towards urban areas (Tanzania). Survival</td>
</tr>
<tr>
<td><strong>Cooperatives</strong></td>
<td>Different sizes (Nicaragua vs. Tanzania) Structural dilemma = fair trade dilemma Reconcile economic efficacy (business) with economic, social and environmental benefits from the business for as many as possible (solidarity and sustainable development)</td>
<td>Combine the business and solidarity components for a sustainable development shared by as many as possible (mainly economic and social aspects)</td>
<td>Favour one or the other component by the fair trade benefits (orientation of bonus) more often alternatively except when becoming organic and facing requirement for high quality production (solidarity by quality)</td>
</tr>
<tr>
<td><strong>Fair trade organisations</strong></td>
<td>Two types of intervention ° Short term (one year) and purely commercial ° Long-term partnership (several years) combining commercial and development components (capacity building)</td>
<td>Mainly for the second type of intervention: combine the business and solidarity components for a sustainable development shared by as many people as possible (economic, social and ecological aspects).</td>
<td>* Long-term commercial partnership * Fair trade bonus award * Facilitating access to small loans * <a href="https://www.ice.org">IEC</a> and capacity building</td>
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<tr>
<td><strong>State</strong></td>
<td>Ministers Parastatal agencies Local authorities (if there is decentralisation)</td>
<td>In the neo-liberal political framework of development that involves a redefinition of development prerogatives, maintain control and its ability to direct the export profits for the benefit of the ruling elite (export tax)</td>
<td>* Concentrate on fiscal role * Create parastatal organisations (open to private operators and civil society actors) to control the rules of the game</td>
</tr>
<tr>
<td><strong>International developing complex</strong></td>
<td>International non-governmental organisations Local non-governmental organisations Cooperation agencies (bi or multi-lateral)</td>
<td>* Sustainable development * Reduction of poverty * Competitive integration of marginal economies in the world economy. * Adaptation of states to the principles of good governance</td>
<td>* PRSP (poverty) process * Change the economy via WTO rules * Development programmes and projects (funding and implementation) requiring the participation of all the local players.</td>
</tr>
<tr>
<td><strong>Private operators</strong></td>
<td>Maximisation of profits in a competitive and unstable environment</td>
<td>Cost/benefit analysis Development of abilities to commercialise from the village</td>
<td></td>
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<td><strong>Banks</strong></td>
<td>Maximisation of profits in a competitive and unstable environment</td>
<td>Refuse to manage small accounts Increase interest rates</td>
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Conclusions and recommendations

Based on our overall study that involved producers, consumers and a study of the fair trade production industries, we can firstly make a general recommendation: it seems to us that no fair trade support policy can be beneficial if it does not take into account the double nature of fair trade, which is at the crossroads between two driving forces, one commercial (to do business…), the other solidarity-based (…differently). This observation is further justified when it is put into perspective through economic theories.

Starting from this essential clarification (which is central to our general conceptualisation of fair trade), our work results in a number of conclusions and recommendations regarding both the 'Northern' (marketing and sociological approach of consumers and human resources management in world shops) and the 'Southern' (socio-economic analysis of production conditions) aspects of our study.

The impact analysis showed that the benefits of fair trade projects were multiple, of varying nature and certainly concerned the producers directly involved in the projects and their families but also the local community. Nevertheless we think that further progress can still be made so as to make these projects even more effective.

- The nature of the funding provided by fair trade organisations to producer groups involved in the fair trade projects should be more clearly identified (ambiguity concerning pre-financing);
- Fair trade projects propose partnerships with partners in the South whose institutional nature is varying. But the effects of the partnership are not the same depending on whether the partnership is with a cooperative or with a private organisation;
- It seems to us that greatest efforts of fair trade should aim to develop fair trade projects that are more politically active in terms of employment legislation or empowerment, especially of women;
- The process by which projects will become autonomous is not always ensured, particularly when, for natural or commercial reasons, the initiative is limited to a single partnership between a fair trade organisation from the North and a group of producers;
- We observed a lack of popular recognition of fair trade and this could limit the ability of small producers to appropriate the initiatives and endanger the project's sustainability;
- The fair price must take into account at least the sustainable production costs in terms of its environmental, social and economic aspects whilst the bonus and how it is managed must be clearly defined.

Based on these observations, we mainly suggest that:

- fair trade organisations think about the relevance of making or not the South's small producers aware of the issues of fair trade;
- fair trade organisations develop a policy of supporting diversification of fair trade production to other sectors of the world market, given the saturation of the North's markets for 'simply fair trade' products, as the Nicaraguan and Tanzanian experiences conclusively demonstrate, and avoid 'fair trade trap' situations;
- analysing the stakeholders and using the analytic grid suggests that in some cases (Africa) it is important to pay particular attention to relations with the local (national) authorities, as they can be either blockers or facilitators for small producers activity and commercialisation of their products. Furthermore, ACP countries could recognise and support this dynamic within their National Indicative Plans.

Above all, our field studies have shown the great variety of circumstances and the complexity of the situations encountered. The fair trade success stories – and those with poorer results – can perhaps be explained less by their intrinsic qualities than by the combination of many factors that made the fair trade initiatives locally more successful. Among the elements which might prove favourable are: the size of the local cooperatives involved; the reactivity of some of them and the quality of some of the managers; interference or not by local authorities; the possible trickle down effect of the benefits (particularly the bonus) and the existence of a 'magnetic' effect which implies the presence of other organisations of the local civil society able to amplify, support or eventually take over the activities.

Policy and marketing measures to close the attitude-behaviour gap should be taken. Some are put into perspective by the juridical study:
1. **Improve communication:** To stimulate potential customers more good-quality and credible information about fair trade in general, and more specifically about fair trade products, has to be given. People prefer small amounts (low quantity) of very good (high quality) information. Explanatory information on the package besides a label might be instrumental. Mass-advertising on radio/TV/newspapers and magazines for labels may be helpful, as well as sending informative brochures to customers. In any case the information should be credible.

Concern towards the fair trade issue should be encouraged since it positively influences buying behaviour, directly as well as indirectly (via the attitude towards products), whilst scepticism towards fair trade issues and products should be fought, since it has a negative influence on buying behaviour.

Good information could positively change concern as well as scepticism. Especially the indifference towards fair trade products hampers a more positive buying behaviour.

Since education (+), income (+), age (mid life) and gender (female) are demographic variables significantly influencing attitude towards fair trade, this 'fair trade profile' should be kept in mind when setting up a marketing communication plan.

2. **Improve distribution:** The customer convenience should rise by offering fair trade products in mainstream supermarkets (reducing shopping time). Also, fair trade products should be put on the same shelf as products of the same product category. A more prominent branding strategy may improve the image and visibility of fair trade products.

3. **Lower the price:** Measures that could have a direct impact on the price gap between fair trade and non-fair trade products, such as a fair trade boni system (similar to the system of eco boni) could stimulate consumers to buy more fair trade products. Moreover, some products might benefit from a preferential tariff treatment in the framework of the European Generalised System of Preferences.

4. **More effective labelling:** Since a fair trade label is preferred over a social label, eco label and organic label, it can be assumed that a fair trade label can become more successful than these other labels. Consumers seem to trust the European government as well as a non-governmental organisation the most for issuing and controlling a label. When the issuer is the Belgian government, the credibility of the label decreases substantially. Labels should be clearly indicated, and professionally endorsed and explained on the products and in the shops. Furthermore a recognised label, at least at the European level and linked to the products rather than to the company constitutes a necessary condition for implementing support measures, such as in matters of public procurement.

The survey of Oxfam world shops' clients showed that there was an overrepresentation of two specific profiles compared to Belgian consumers: namely the age group of people between 18 and 25 and that of people over 55. Oxfam could develop two external communication strategies to try to increase the number of clients:

- Firstly, target campaigns at these two specific groups so as to maintain their commitment;
- Secondly, adapt its communication to the section of the population that is less easily mobilised but who is certainly receptive to other criteria such as access to the shops (opening hours, parking facilities), the attractiveness of the product and their traits (taste, nutritional value, health), etc.

Additionally, our survey allowed us to replace commitment to fair trade within the larger question of support for a distant cause. This allows, amongst other things, to understand that the activities (or lack of activities) of fair trade organisations' in general and of Oxfam in particular, aimed at increasing the battalions of fair consumers are part of the slower process of change of our societies and of their relationships with societies in the South. We suggest that policies for education about development be strengthened, which could lead to strengthen the commitment to the South's issues in the long term (and consequently contribute to enlarging civic and fair consumption).

Analysing human resources in Oxfam world shops showed us that the commitment model within this movement is based on a double dialectic: occupational volunteering vs. militant volunteering, and logic of action/business vs. logic of participation/solidarity. Based on this study, we suggest:

- Developing internal communication policies that respects this double dialectic and its constitutive trends;
- In parallel, it could be useful to develop an internal communication policy that promotes the vertical flows of communication between the national centre and the shops (need for feedback on figures, actual campaign results, etc.) and which increases the exchange of experiences.
between shop managers (new socialisation areas favouring the practice and the militant identity, that fluctuates more than occupational volunteering).

- Finally we noticed that the renewal of the volunteers relies on a fragile balance in Oxfam world shops. One way to increase recruitment could be an external communication supporting the current recruitment efforts where, all too often, each shop is left to itself.

Finally, in respect of the potential for public authorities to consume ethically, the European directives on this matter have severely limited the options. The Belgian law, which had, in 2003, confirmed the possibility to take ethical criteria into account when allocating public markets, will soon have to be changed to conform to the new European standards. It is crucial that what had been obtained be preserved to as large an extent as possible. Fair trade organisations should thus closely monitor the revision procedure.