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FAIR TRADE FACING NEW COMMERCIAL CHALLENGES: EVOLUTION OF THE ACTORS’ DYNAMICS

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PART 1
SUSTAINABLE PRODUCTION AND CONSUMPTION PATTERNS

SCIENTIFIC SUPPORT PLAN FOR A SUSTAINABLE DEVELOPMENT POLICY
Part 1: Sustainable production and consumption patterns

FAIR TRADE FACING NEW COMMERCIAL CHALLENGES: EVOLUTION OF THE ACTORS’ DYNAMICS

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<tr>
<td>FTAA</td>
<td>Free Trade Area of the Americas</td>
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<td>ATO</td>
<td>Alternative Trading Organization</td>
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<td>CIAP</td>
<td>Central Interregional de Artesanos del Perú</td>
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<td>CIOEC</td>
<td>Coordinadora de Integración de Organizaciones Económicas Campesinas de Bolivia</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>BTC</td>
<td>Belgian Technical Cooperation</td>
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<td>EFTA</td>
<td>European Fair Trade Association</td>
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<td>FINE</td>
<td>FLO IFAT NEWS EFTA</td>
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<td>FLO</td>
<td>Fair trade Labelling Organisations</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GRESP</td>
<td>Grupo Red de Economía Solidaria del Perú</td>
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<td>ICM</td>
<td>Integrated Crop Management</td>
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<td>IFAT</td>
<td>International Federation of Alternative Trade</td>
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<td>IRFT</td>
<td>International Resource for Fairer Trade</td>
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<td>ISEAL</td>
<td>International Social and Environmental Accreditation and Labelling Alliance</td>
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<tr>
<td>KMVS</td>
<td>Kutch Mahila Vikas Sangathan</td>
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<td>NEWS</td>
<td>Network of European Worldshops</td>
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<td>GMO</td>
<td>Genetically Modified Organism</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>SASA</td>
<td>Social Accountability in Sustainable Agriculture</td>
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<td>FTT</td>
<td>Free Trade Treaty</td>
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Introduction

1. Fair trade at the crossroads?

Fair trade has developed over the last half century on the basis of forward-looking initiatives from non-governmental and religious development organisations. For a very long time these initiatives were positioned outside or on the fringes of trading circuits, but today they are beginning to merge with these circuits in the wake of the success of certain products like coffee or bananas or the emergence of new commercial sectors.

The European market for fair trade products has grown by 20% per year over the last five years: the total quantity of sales rose from 260 million euros in 2000 to 660 million in 2005 (FINE, 2005c). In Belgium the success of certain products is undeniable: "45,000 fair trade bananas are bought every day in Belgium – a measure of success which led to a 50% increase in sales in 2004! Every day in our country we sip on some 340,000 cups of delicious Fair Trade coffee. Sales of coffee with the Max Havelaar label were up by 5% in the first half of 2005, compared to 2004." (Press dossier for the Fair Trade Week, 2005). Fair trade coffee has a 1.7% share of the Belgian coffee market and fair trade bananas represent 4% of the national market. The total quantity of labelled product sales in Belgium was 20 million euros in 2005, compared to 5 million in 1999/2000 (FINE, 2005c).

However, sales of craft products have been sluggish since the 90s. In the UK Traidcraft has lost £300,000, the Swiss fair trade organisation has had to be restructured and two alternative trade bodies have shut down – Bridgehead in Canada and Alternativ Handel in Norway (Redfern & Snedker, 2002). That said, new networks have emerged in the craft sector, particularly specialised shops offering higher quality products.

There are different interpretations of these mixed developments. Some authors consider that, after the first few years of rapid growth, we are now seeing a levelling off in sales volumes (Tallontire, 2001). Others take the view that, if a market’s growth potential corresponds to the percentage of consumers willing to buy a particular product, then the fair trade market could represent 20% of the European market (Baughen 2003). Some see growth as linked to the potential for expansion in the new consumer countries where there was little knowledge of fair trade products (author wishing to remain anonymous, 2003), and others view this growth as connected to the shift of fair trade into conventional retail trade circuits (Renard, 2003; Lecomte, 2003) and to diversification in product ranges.

These many, and sometimes contradictory, interpretations perhaps point to the different perspectives which exist regarding fair trade itself, since, over the past few years, fair trade has been through several simultaneous transformations. On the one hand, it has a higher share of large-scale retailing, particularly through the success of certain products, and, on the other, new commercial actors have emerged, such as networks of shops. This diversification in circuits and in products, too, makes it difficult to make predictions.

A sizeable number of those involved admit that these changes involve a certain degree of tension and that they cause sectoral restructuring, which is not solely economic in nature but may also involve redefining the aims and ambitions of fair trade. This restructuring can be analysed from several perspectives.

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1 Citizen Dream in Belgium, Bébés en vadrouille or Alter Mundi in France.
2 Schümperli (2006), gives seven: 1: between economic efficiency and achieving fair trade objectives; 2: for fair trade bodies, between being a commercial and/or political and social actor; 3: associated with the gap between potential supply and real demand; 4: political approach or social marketing; 5: within cooperation agencies – are Southern producers to be considered as economic actors and/or development partners?; 6: partnership between labelling organisations and the private sector. Compromise or compromising?; 7: fair trade: a niche market or the possibility to “influence traditional forms of trade”? 
different points of view. Is it leading to a change in vision – to a reduction in ethical commitment – or is it rather a genuine opportunity for the sector to develop? Moreover, what are the implications of these changes for the actors in the South in terms of their own development?

It is clear that these questions have certain ethical and political implications, and that they also touch on important economic and social issues. How then, in this context, should we define a research project which contributes to the debate by proposing results which cannot fully account for all the dimensions involved, nor provide an exhaustive description of the situation?

This diversification in the sector corresponds to diversification in the actors involved and in strategies and forms of organisation. This is to be the focus for our analysis. Our starting point is the hypothesis that the future of fair trade may depend on the strategies which tend to redefine the very “content” of fair trade, i.e. – its aims, rules and forms of organisation.

2. The aim of the research: the construction of markets and the impact on Southern producers

As sociologists, the authors of this report cannot aspire to in-depth analysis of the economic specificities of the sector, but we do, however, need to examine an economic reality and the nature of trade forms which seek to mitigate the harmful effects arising from the inequality in trade relations between the North and the South as much as possible. The difficulty lies in the sociological construction of a relevant focus for the research which is not a substitute for a classical economic approach.

What is the best way of carrying out sociological analysis of forms of economic exchange which were set up against, or on the fringes of, normal market rules but today are forging alliances with powerful conventional market players, or have to face competition from new actors which claim to be fair but sometimes have a different approach?

We can find an initial basis for our approach in what is termed the economy of conventions, or even in the institutional economy. The idea behind these heterodox economic currents is that certain markets (more numerous than it is generally thought) are in fact organised around coordinated definitions, particularly product quality. This concept has provided the basis for a healthy scientific current called the “economy of quality” which seeks to analyse the construction of quality conventions. These are forms of agreement intended to overcome the considerable uncertainties affecting the quality of certain products. This current in economic research enables us to adopt a sociological approach to the way in which fair trade markets are built up and the way in which they are being restructured today.

It is, we feel, relatively easy to see that fair trade is made up of “constructed” markets - i.e. markets in which many of the aspects of the trade involved are imposed on the exchanges which take place (for those who want to participate) through rules, negotiations, contracts or other procedures, rather than developing as an intrinsic part of the trading process. Indeed, our sociological focus is the generation of these rules – the way the negotiations which provide the framework for these economic exchanges operate. It is our view that the definition of a fair trade product consists simply of attributing an intangible aspect to it, thus granting it a higher commercial value in the eyes of purchasers.

However, bestowing this characteristic of “greater fairness” is not a simple matter. The conventions which determine the way in which fair trade markets operate in fact mix heterogeneous principles consisting of what could be termed a civic principle (associated with fairness), a domestic principle (associated with solidarity) and a market principle (since trade, negotiation and price are part of the set-up). What we have, then, is a hybrid of different principles and this hybrid is reflected in the concept of a “fair price”, which we will return to later.
The approach which we are proposing to these “coordinated” markets is not, however, intended to be conventional in nature. In the analysis which follows, first and foremost, we want to focus on the modalities which govern these markets, or more simply, on the framework in which “fair” trade exchanges take place. We will do this on the basis of the concept of “referential”. This perspective focuses specifically on the values, rules and perceptions which are used to manage these markets. We will return to this in greater detail below.

The second dimension of this research is based on a different point of view, which is more evaluation-based since it consists of reflection on the impact of these markets and their restructuring on those people who, a priori, are supposed to benefit from them – producers in the South. This evaluation obviously does not claim to be representative. Given the time available for the research, the constraints of distance, language, and the diverse nature of situations in the South, our analysis is more focused on a comprehensive approach to the ways in which the collective actors in the South operate, and on the observable or probable impact caused by restructuring in Northern markets.

The impact of fair trade channels on Southern producers will not be analysed in market, or even economic, terms but by focusing on organisational aspects, the capacities of the actors involved and particularly on the position of women. The concept of empowerment will guide our efforts in this approach.

In short, the aim of the research is to understand how fair trade is being restructured and what impacts this restructuring might have on the capacity for action among actors in the South.

3. Research issues

This project, carried out with limited time and money, is based on a certain number of a priori choices. For this reason we have devoted more attention to sectors and products which are studied less often than coffee and bananas. By focusing on cocoa we are, however, still devoting attention to the agri-food business which, as for coffee and bananas, markets agricultural products from the South, essentially for processing and sale in the North. By studying the crafts sector (mainly from the Andes) we are looking at one of the most traditional fair trade product types, but also at a market which is going through a paradoxical process of stagnation in its traditional channels, whilst, at the same time, new ones are emerging. Lastly, by choosing to study cotton, in particular in India, we are tackling a relatively new product, which is processed in the South. Once again, these different “case studies” certainly do not enable the nature of the fair trade sector to be exhaustively described, even with regard to Belgium. However, they seemed diverse and representative enough to allow us to carry out up-to-date analysis of the development or restructuring of fair trade.

3.1. Analysing the restructuring of the markets

An analysis of the restructuring of the markets involves an examination of the channels linking Southern producers with Northern consumers. Reference to the internet sites of the different actors involved in fair trade shows that a sector of this type can be described as a network of cooperatives or small-scale producers in the South which supplies products to an importer in the North which sells on the products, possibly after processing, either through a chain of supermarkets or a network of specialised shops.
While the diagram gives an overview of the current situation, it should be borne in mind that this is the result of a historical process made up of different stages which are worth looking at, in order to formulate hypotheses about the restructuring process.

Our research is based on an initial diagnosis concerning the North (Belgium). On the one hand, we have those actors responsible for founding the fair trade movement (NGOs), which marketed their products in internal circuits (Magasins du Monde, parishes, schools, etc.) until the end of the 80s. In the 90s, they tried to expand the market for their products by using conventional trade channels (major retail operators, for example Delhaize). At the same time, labelling organisations began to emerge: International Federation of Alternative Trade (IFAT), Fair Trade Labelling Organization (FLO), Max Havelaar. Lastly, after the turn of the century, a series of new fair trade organisations were set up (e.g. Citizen Dream) and in 2004-2005, actors interested in promoting the ethical added value of their products began to position themselves in the conventional market in competition with fair trade products.

So what emerged was:
- an extension of the trading channels with the involvement of new trade partners
- new trade channels, which sometimes compete with the traditional NGO channels
- growing complexity in the trading systems with labelling and certification operations, underpinned by the beginning of the formulation of “rules”.

These developments are in fact quite typical of the changes which quality systems go through when making the shift from small-scale organisations with a domestic basis (bound by personal relations, trust, commitment) to larger scale forms of organisations, where commercial considerations become more important and the nature of relationships has to be communicated using labels. The lengthening of the channels, which is linked to their extension, is a factor in the shift towards a less personal style of organisation. However, the integration of actors from conventional trading structures is also contributing to this shift, as these operators have to develop their “fair trade” range as a niche in their product offer. Competitive relations in large-scale retailing and distribution, and the emergence of small-scale specialised chains, strengthened by the internationalisation of the retail trade are all factors which are contributing to a more standard form of organisation in trading channels, and to the development of labelling and monitoring systems.
A further important factor to take into account here is that the expansion of the “fair trade” market also involves changes in the consumer base, which are, if not social, at the very least ideological (or cultural) in nature. The new consumers are no longer activists with close ties to NGOs, but large supermarket consumers, who are perhaps less informed, or consumers attracted by other qualities which the products possess. It is in this area that the question of links to organic agriculture has arisen – i.e. whether the organic and fair trade sectors come from the same qualitatively and ethically driven consumer movement, or if they are in fact in competition.

The first question for our research can be set out as follows: How can we characterise the changes associated with market expansion, particularly, in terms of scale (market and company sizes), contractual organisation (new requirements) and the organisation of the actors involved?

For the three products selected (cocoa, cotton and the crafts sector) the following questions have been documented:
- What are the specific strategies which allow fair trade actors to find new distribution channels for their products?
- Have the tensions observed between new and former fair trade actors led to the development of new strategies on the part of these actors in terms of markets, prices and the development of quality standards?
- Is there now increased empowerment in fair trade (or certain sectors or actors) in terms of the original actors, either because some economic actors (retailers, processors) are trying to take control of it3, or because some of them are moving away from the normative principles and requirements of fair trade?
- Has the expansion of the markets and their restructuring led to modifications in demands and are we seeing greater convergence or divergence with the organic agriculture sector?

3.2. Analysis of the reformulation of the fair trade referential

Based on the idea that markets do not naturally exist, and that the fair trade market, particularly, is based on rules and conventions, our theory is that these changes in actors’ strategies, operating channels and relationships is not merely a strategy issue. As a sector based on a specific quality, fair trade is based on coordinated or agreed definitions about certain values. These are then converted into rules, organisational set-ups and even beliefs which those involved must share (at least to a certain degree). In short, the fairness requirements of fair trade provide a normative (rules-based) and cognitive foundation which is necessary for the correct functioning of the sector.

Is this foundation being threatened or called into question by the restructuring of the market, the emergence of new actors and the formalisation of relations through labelling and certification? Are some actors not being drawn into revising the rules downwards in order to take advantage of the positive image of fair trade at a lower cost? This is a question which some of the actors involved have been asking themselves. It was therefore necessary to clarify this issue and try to objectify it as much as possible.

What we refer to as the referential is the broad range of beliefs, values, rules and perceptions which make up the cognitive and normative structure of fair trade. This concept is taken from the political sociologist Muller (1995, 2000) (amongst others) for two reasons. In terms of relationships and communication, fair trade brings together not just economic actors with specific interests (producers, etc.) but also different spheres. Those of the South, of course, with their own differences, but in the North it brings together the spheres of trade and NGOs, those of activists and charity organisations, and the political sphere, too. Each of these different spheres should not be seen as a strategic actor in a

3 One of the strategies of the supermarkets would be to stabilise fair trade quality in order to gain control without having to go through one of the “traditional” fair trade bodies. We have developed this theory in a bibliographical article. (Haynes, 2006a).
simple relationship of market negotiation. Despite the heterogeneous nature of those involved and though they do not share the same visions of the world or even the same values, these different “spheres” nevertheless manage to create, if not a common world, at least a certain number of common references. These are shared knowledge and values (supporting smaller producers, for example), but also beliefs (trade is positive) and rules which, though not interpreted in the same way by everyone, nevertheless serve as a reference basis for building up forms of cooperation, including market-based interaction.

This concept of a referential is also relevant for understanding North-South fair trade exchanges. The issue of the price to be paid for fair trade products inevitably brings together different spheres which each have different definitions of what is a decent income for a producer. There is not therefore – and our field work proves it – any agreement on the amount which a decent income corresponds to, nor perhaps even any agreement on knowing if the price set really achieves this objective. Nevertheless, this notion allows relationships to be forged and trading exchanges to operate which, to everyone’s mind, are different from those of the conventional market. This is an example of a referential, since it allows a trade exchange to take place based on an agreed principle, even though the content ascribed to this principle is not the same for everyone.

Fair trade, as constructed, operates on the foundation of a referential which are more or less shared, more or less common, but which have allowed the creation of significantly different market relationships. The issue then is to know if the current market transformations affect all these values and rules, beliefs and shared knowledge. Do they transform them in a particular way which is more market-oriented, with a weakening of the rules? Or is the restructuring of the markets leading to the fragmentation of this referential into different competing versions, which could harm the credibility of all of them? Or are we witnessing the watering down of the fairness element in fair trade or in the concept of what is socially responsible?

It is important not to overlook the difficulties encountered in the research in trying to find an answer to this question. On the one hand, many of the aspects of these systems of referential are implicit and therefore involve reconstruction work based on documents, interviews and observations. It is also difficult to obtain much of the necessary information for this type of analysis in full. Moreover, in the situation as we observe it, there is a great deal of mobility on the part of actors, information and the adopting of positions and it is often difficult to distinguish what is strategic in nature (words or silences) and what actually amounts to beliefs or established agreements. In order to respond to this question we proceeded as follows: initially we drew up a standard model for “classical” fair trade, as established by NGOs in the 60s and 70s, which, to a large extent, still underpins the action of international fair trade organisations. Here, there are documents, texts and discussions. Secondly, we compared this standard model to the actions, statements and projects of a certain number of actors involved in the restructuring of this market. The analysis can therefore point to, at least as reasoned conjecture, the propensities and trends which diverge from the basic model, those which reformulate or even circumvent it, and those which stabilise it or strengthen it, whilst promoting its quantitative growth.

This analysis will allow us to formulate and reason out the hypothesis of a possible transformation from a solidarity referential towards a market referential, and to identify the opportunities and risks arising from the restructuring of the fair trade sector.

### 3.3. Assessing the impacts in the South

The assessment of the effects of these changes in the South will follow the same kind of reasoning. On the one hand, in the South we find a similar transformation to the one observed in the North but there is also a transformation in the referential underpinning action and trading. So the main issue for research here is to evaluate these transformations.
In the South (Peru, Bolivia, India, Cameroon) we find an initial set of fair trade actors, generally favoured partners of the founding organisations in the North (often grassroots associations and/or umbrella associations or NGOs), and new actors which have recently decided to move into the fair trade sector. Given the low capacity of the fair trade market, these different actors have developed several commercial channels for their products.

The involvement of these new actors is the most visible aspect of the changes taking place in fair trade but they can also be seen in the relationships between the different actors and the tensions emerging. This restructuring of the links between the different actors has to be taken in the overall context of the market liberalisation affecting trade as a whole and is also fostered by other dynamics, for example the actions of the World Trade Organisation (WTO).

The most important basis for this assessment is the concept of empowerment, which designates a process – the construction of a kind of dual identity, which is individual on one level since it concerns the individual’s decision-making capacity, their power over their everyday life, their very choices, and on another level there is a collective dimension linked to the power of individuals within a group, from the point of view of a common approach to managing society and politics (Kabeer, 2001). This should show how women and men, through belonging to fair trade associations, have been able to develop a degree of empowerment allowing them greater autonomy and an opportunity to renegotiate gender relations within the family and the community/village, and also to get organised in order to negotiate and defend a common objective (which might be political, social, etc.).

We carried out this assessment in two stages. It could only be carried out on the basis of case studies which are sufficiently well documented to respond to the questions concerning the adaptation of actors in the South to the changes observed in the North. However, there is not necessarily a relationship which can be directly observed between what happens in the North (especially in Belgium) and what happens in the South, and which is directly affected both by social dynamics in the South and by trading relations with other partners.

An initial analysis therefore entailed trying to understand, in terms of the inherent dynamics in the South, what fair trade structures were doing in Southern regions, i.e. what sort of activity these structures allow, in what conditions and subject to what limits. We were particularly careful about the diversity of approaches and dynamics since they are part of cultural contexts which are specific to different countries and regions and are also part of an approach to development which can vary from one organisation to another.

Thereafter, we attempted to assess the consequences for these dynamics of the transformations in the North and for trade relations between different actors. This led us to examine the following questions:
- Does diversification in Northern demand represent an opportunity or an obstacle for Southern actors? This diversification has many aspects, which are both quantitative and qualitative, and it could just as well be a market opportunity as an obstacle excluding certain Southern partners.
- Is the relationship between organic farming and fair trade favourable to Southern actors or does it place stronger limitations upon them?
- Is the formalisation of fair trade rules, together with certification procedures, a factor which promotes better skills and organisational capacity in the South, especially concerning negotiation?

4. Methodology

The methodology used is basically qualitative.

For the fieldwork in the North we carried out face-to-face interviews with fair trade actors from the different parts of the network. In Belgium this entailed contacting importers, distributors, NGOs,
processing companies, certifiers, experts, designers and representatives from the public administration.5

We were also able to follow the development of the support instrument for the marketing of fair trade products developed by the Fair Trade Centre and the agency for Belgian Technical Cooperation (BTC), and the discussions on the subject between fair trade actors and cooperation sector representatives.

For consumers, we wanted to be able to compare the different perceptions of fair trade which exist so we chose to set up focus groups, whilst making sure that we could still gather people’s reactions on a personal level. In carrying out the analysis of the fair trade network, our objective was to understand the way consumers’ perceptions are constructed and the possible common points of understanding or discrepancies in these views compared to those of intermediary actors in the fair trade sector. The groups were made up of people from the region of Brussels and its surroundings, regardless of the language they spoke. This geographical choice can be explained by the presence of all of the retailers offering fair trade or ethical products in this area, namely: Oxfam Magasins du Monde, Citizen Dream, Ethic wear, Colruyt Bio Planet, Delhaize, Carrefour etc. The composition of the groups was varied in order to determine the effects of proximity / distance in relation to fair trade networks and also to determine the questions new consumers might ask. In total 36 people were questioned during the group sessions which lasted from December 2004 to May 2005.6

In the South we worked with agricultural and crafts producers, employees, representatives and managers of grassroots and umbrella organisations associated with the fair trade sector. In the crafts sector we also met with individual actors from the fair trade movement (NGOs, churches, etc.) or from the normal trading sector (export promotion companies for crafts, ministries) and representatives from certifying organisations. Our case studies focus mainly on:
- India, and the network created around AGROCEL, a sales and promotion company for fair trade cotton. We also interviewed other NGOs working in the craft sector for Fair Trade such as KMVS and Shrujan.
- in Cameroon and Bolivia, on the fair trade cocoa cooperatives Macefcoop and El Ceibo
- in Bolivia and Peru on the different marketing organisations for craft products, especially ComArt, Qhartati, Inkapaya, Azur and El Molino in Bolivia and the CIAP, Minka and Ayniart in Peru.7

5 The list of people interviewed is in the annex.
6 The focus groups were made up as follows:
- Two groups of 6 people – a women’s group and a men’s group – were used for purchasers of fair trade food and craft products.
- Two groups of 6 people – a women’s group and a men’s group – were used for purchasers of fair trade food products but not fair trade craft products or clothing.
- Two mixed groups of 6 people of different ages were used. A “youth” group (20-35 years old), an “older” group (over 45) including people who do not buy fair trade, a fair trade food buyer and two volunteers from Oxfam Magasins du Monde whose role was to explain the principles of fair trade to the others and to try to convince them of its value. The idea was to observe the different arguments put forward by the actors.
7 A detailed data sheet for each organisation can be found in the annex in addition to a list of the different people contacted in each country.
The second chapter is devoted to the functional dynamics in the South. We are taking the case studies in the four countries covered by the research and the sectors for the following products as a basis: crafts, cotton and cocoa. The Southern organisations which we contacted all have their own way of interpreting the fair trade referential in that they have their own view of fair trade rules and reasons for taking action which correspond to their culture and display differences from those of the actors in the North.

The third chapter presents the different ongoing modifications in the South following the opening up of the markets, either in terms of rules and different trading strategies or in organisational changes in the long-standing actors involved in fair trade. We will try to show the way in which Southern actors are going to adapt and/or offer new forms of resistance to the dictates of conventional market structures.

Lastly, by way of conclusion we will look at the different tensions emerging in the fair trade movement and make some recommendations for the actors involved in fair trade and especially for federal policy.
Chapter 1: 
Norms put to the market test

Whilst some (Le Velly, 2004) consider fair trade to be simultaneously internal and external to the market, we prefer to see it as a market organised in keeping with specific rules. The advantage of this approach is to focus attention on the construction of the norms which provide a framework for trading exchanges on the one hand, and, on the other to highlight the market dynamics which might surpass the framework of the rules and thereby cause them to develop or adapt.

The structure of trade relations is based on rules, which are in turn based on values and convictions, and these rules give rise to forms of organisation. This is the point at which the concept of the referential for defining the organising principles behind collective action in fair trade comes into play, in particular the values, normative principles and causal relations expressed and the images generated (Muller typology 1995, 2000). Altogether, these elements are the basis of a referential i.e. a common framework which enables coordination among the actors, even where they do not necessarily or completely share the same view of fair trade. It is therefore a kind of compromise, or the result of a transaction between the partners, and is thus continually susceptible to different readings or reinterpretation. We will begin by describing the basic referential as it has developed over time.

Today this model is a victim of its own success. Quantitative growth in fair trade has led to new actors entering the market, through the development of new trading circuits and, as a result, new products. This is what we will set out in the second part. It is our view that these changes, which are market phenomena, call into question the rules of fair trade and that these new markets tend to surpass the normal fair trade framework because these new forms of trading exchange involve new rules and forms of organisation which move away from the previous normative principles. This, as we will see in the third part, is generating a tendency to reformulate the norms of fair trade.

The effect of this process is a move towards greater specification of fair trade standards which we will examine later in terms of its effects and possible risks.

1. The emergence of fair trade in the North based on a referential arising from criticism of development

Fair trade is based firstly on the constituent values of the long-standing organisations behind it. Trading and coordination rules among Northern and Southern actors, from producers through to consumers, are defined according to these values.

It was in at the United Nations Conference on Trade and Development in Geneva in 1964 that the slogan “Trade not Aid” was launched in response to a call from certain participants from the South. Some authors see fair trade as starting immediately after the war, particularly as a result of the efforts of Oxfam in Europe. However, if we see its origins as linked to the creation of the first shops selling goods produced in developing countries, we are looking at the end of the 50s. In 1964 Oxfam created the first Alternative Trading Organisation, then, from 1970 to 1980, other fair trade importers began to emerge (Fair Trade Organisatie in the Netherlands, Oxfam Magasins du Monde in Belgium, Artisans du Monde in France, GEPA in Germany, etc.). In Europe in 1990 they came together in the shape of the European Fair Trade Association (EFTA) (Ritimo, 1998; EFTA, 2000; Nicholls and Opal, 2005).

From the 40s through to the present day, there has been a succession of different currents or trends in fair trade. A number of authors (Nicholls and Opal, 2005; Littrell and Dickson, 1999; Tallontire, 2000) all refer to at least three main phases in fair trade development, corresponding to the periods 1940-50,
1960-1980 and after 1990. In this part we will be concentrating on the first two phases which contributed to the emergence of fair trade. In fact these first two phases reflect a development in the sphere of NGOs and community associations in terms of the cooperation and development at the roots of fair trade. For these actors, fair trade represented a response to analysis of the inequalities in trade between countries in the North and those in the South and is part of a general questioning of the validity of development policies solely based on aid.

Altereco (2005) in France refers to two initial currents:
- A humanist-religious current (1940-50) “influenced by philosophical or religious considerations such as respect for human dignity and combating poverty”. This was the main current espoused by the “NGOs of protestant churches in Northern Europe (the Netherlands, Switzerland, the United Kingdom and Germany) and in the United States (Mennonites). Their wish was to help the poorest and the excluded. There was no militant activism in this current.”
- A third world current (1960-80) with its roots in criticising and combating inequality in North/South trade and the exploitation of the proletariat. This current was reflected in the activities of NGOs, trade unions, political parties and left-wing activist groups in Europe. Oxfam UK (quoted by Nicholls & Opal, 2005: 21) talks of a shift in its approach regarding the poor in the third world, who are no longer seen as “passive victims but human beings with the right to live in dignity. (…) The role of people in the North is to create potential solutions to poverty in developing countries.”

In these currents, fair trade is focused on the small-scale craft producer in the South with whom consumers in the North could show their solidarity by buying a piece of their craftwork. It very quickly expanded to take in the poorest agricultural producers. Those involved in fair trade began to see trade as a means for the small producers in the South to take charge of their own development and gain greater autonomy. This view of trade and development was to be developed by the different historical fair trade actors and summarised in the texts of the European Fair Trade Association (EFTA), made up of importers and distributors, or those of International Federation of Alternative Trade (IFAT), set up in 1989. In conjunction with the Fair trade Labelling Organisation (FLO) and the Network of European Worldshops (NEWS), in 1996 these two networks developed a global network called FINE. Within this network in 2001 they managed to establish a common definition of fair trade:

“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 organisations (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, October 2001).

1.1. The origins of fair trade – values based on solidarity

However, this diversity in the currents at the origins of fair trade was to converge in a certain number of normative principles which make up the core of the referential governing fair trade activity. These principles can be found in the discourse of what we have termed the “founding” actors of fair trade, such as Oxfam UK, Oxfam Magasins du Monde and in the documents of IFAT and EFTA, which are institutions created by these founding actors (from the North and the South) to coordinate their activities and establish common bases for negotiations.

All of them take the slogan “Trade not aid” as the basis for their action, something which clearly shows the shift from an aid-based relationship to one of trade. It is worth noting that certain founding actors, particularly in the English-speaking parts of the world, did not use the word “fair” initially, preferring to speak of “alternative” trade, as pointed out by Carol Wills of IFAT: “The word ‘fair’ wasn’t used at all in the beginning, we used ‘alternative’. (…) I think that alternative was a good word to use because it meant alternative in a number of ways: cutting out the middlemen, trading directly with producers (…), alternative distribution circuits, alternative kinds of labour, use of volunteers most of the time, etc.” (Nicholls & Opal, 2005).
For IFAT, fair trade was born of the values of a “trading partnership”, so from the outset fair trade has had two spheres of reference: one of solidarity based on partnership and respect for small-scale marginalised Southern producers, and another geared towards the market and finding opportunities for those producers. Altereco (2005) adds the concept of a “policy to combat inequality in trade”, and that of a “scathing critique of the liberal system of free trade”. Lastly, in a charter drawn up in 1994 Oxfam Magasins du Monde established the movement’s identity on the basis of the following values:
- solidarity and fairness
- fair, supportive trade with Southern partners
- peace and disarmament for promoting development
- rejection of all forms of racism and xenophobia
- individual, social and policy changes in our own society to promote sustainable development based on solidarity in both the Northern and the Southern hemisphere (General Assembly, 28th May 1994). (Oxfam Magasins du Monde, 2005a).

During our meeting with Denis Lambert, secretary-general of Oxfam Magasins du Monde, he highlighted the fact that the organisation’s action has always been structured around three main axes: “as a movement” (a social movement or network of volunteers and young people), “as a force for change” (initially particularly in terms of politics and the international rules which govern trade) and as “fair trade” (through the Magasins du Monde).

In Oxfam UK’s historical presentation of fair trade (Nicholls and Opal, 2005), the same ideas of a movement can also be found: “combating poverty”, “active producers, who have rights”; fair trade: “a North which should create development possibilities for the South”; or once again a force for change: “the significance of the role of politics”, “the concept of peace (…) through international lobbying and campaigns targeting the UN”, etc.

These normative principles therefore have a political dimension since, on the one hand, they are geared towards change, and, on the other, they are based on forms of activist organisation and entail judgements of the relationships established through conventional markets.

These normative principles, initially espoused by associations at national level, give rise to the creation of trading networks in which “markets” are negotiated and the activities of those involved in the North are markedly based on activism, both for the volunteers working for the different associations and for consumers: “You could be selling anything at all and people would have bought it” (manager of an alternative trade organisation (ATO), quoted by Littrell and Dickson, 1999). In these contexts, fair trade market exchanges are generally negotiated between organisations in the North and South as part of a socially committed approach, in which competition is not a predominant factor. What we have is rather “contracts” negotiated according to the production possibilities on one side and the marketing possibilities on the other.

If the craft sector was initially the flagship activity of fair trade (Mestre, 2004; Andia, 2004; Hopkins, 2000), the sector quickly extended to food products like coffee and cocoa: “Ten years ago the normal situation in terms of sales was about 80% for textiles and 20% for foodstuffs, but these figures are now the other way round.” (Carol Wills, quoted in Nicholls and Opal, 2005). The figures from the European Fair Trade Federation confirm this view. In a study of eleven of its members carried out in 2001, the EFTA found that the crafts sector only accounted for 25.4% of its total sales, compared to 69.4% for food. In 2005 crafts made up 60 million euros of the total sales for fair trade, i.e. 9.09% of the 660 million euros which the whole sector generates (FINE 2005b).8 Thus it is that nowadays the documentation available and research done on fair trade refer mostly to coffee, bananas and sugar.

Subsequently, the actors from the North and South realised the need to distribute fair trade foodstuffs through the conventional markets in order to increase the amount of products being sold, whilst

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8 However, at least 50% of the sales in a Magasin du Monde shop can be taken to be non-food. From a sample of 756 shops in 4 countries the average was 61.4%. National percentages ranged from 35% in French-speaking Switzerland to 75% in the Netherlands. (FINE, 2005b)
maintaining the characteristics guaranteeing the fairness of the trade – mainly, though not exclusively, through the payment of a fair price and a premium. Fair trade thus began to make the shift towards conventional distribution circuits for commodities like coffee, cocoa and bananas, focusing particularly on large-scale supermarkets which offer better sales opportunities. It was at this time that the different international and European fair trade organisational networks were established, along with the certification and/or monitoring organisations (IFAT, FLO, EFTA, NEWS, FINE, Max Havelaar, described in box 1) and that new commercial stakeholders began to get involved (like Delhaize, for example). In the third phase, which our analysis will focus on, new actors in the fair trade sector began to emerge.
Box 1: Fair trade networks and certification organisations

**IFAT (International Fair Trade Association)** is an international network set up in 1989. It has 300 member organisations in more than 60 countries. Its members are cooperatives and producer associations, export companies, importers, retailers, national and regional fair trade networks and fair trade support bodies. About 65% of its members are based in the South (Asia, Africa, Latin America), the rest come from Europe, North America, Japan, Australia and New Zealand. IFAT focuses on improving living and welfare standards among disadvantaged producers through its role as a network and its promotion of fair trade organisations.

**Max Havelaar** was founded in 1988 at the initiative of a community from Chiapas in Mexico and a Dutch development NGO called Solidaridad. The organisation certifies the payment of a fair price and better living standards for Southern producers. It initially operated in conjunction with two other fair trade certification systems: Fairtrade and Transfair. In 1997 the three systems merged to reduce confusion for consumers and to make their activities more coherent and effective. This led to the birth of FLO International (Fair Trade Labelling Organisations International). In order to comply with the principle of separation of certifying organisations from those which draw up the norms, Max Havelaar is now a fair trade labelling organisation, which is independent from FLO.

**FLO (Fair Trade Labelling Organisations International)** is the only international certification body for fair trade. It has 20 members located in Germany, Austria, Belgium, the United Kingdom, Canada, Denmark, Finland, France, Italy, Ireland, Japan, Luxembourg, Norway, the Netherlands, Sweden, Switzerland and the United States. FLO regularly inspects and certifies about 420 producer organisations in 50 countries in Africa, Asia and Latin America.

**EFTA (European Fair Trade Association)** is an association set up in 1990 covering 11 major European importers in nine countries. It promotes the exchange of information and the creation of networks among its members.

**NEWS (Network of European Worldshops)** is a European network set up in 1994. It is made up of 15 national associations in 13 European countries, representing nearly 2400 Magasins du Monde. In addition to promoting coordination among its members, NEWS develops and organises European awareness raising campaigns which target consumers and political and economic decision-makers.

**FINE**, set up in 1996, is an informal network in which representatives of the 4 international fair trade federations (FLO, IFAT, NEWS and EFTA) meet to exchange information and coordinate their activities. Since 2004 the EFTA lobbying office based in Brussels has also been the lobbying office for FINE in order to strengthen coordination between the different networks in European and international political lobbying.

Sources: FINE, 2005; website of Artisans du Monde, [http://www.artisansdumonde.org/organisations-commerce-equitable.htm](http://www.artisansdumonde.org/organisations-commerce-equitable.htm); website of Max Havelaar, [http://www.maxhavelaarfrance.org/lexique.htm](http://www.maxhavelaarfrance.org/lexique.htm)

The founding actors and those of the second stage, which we have termed the “first and second generation”, therefore share the same concept of development and solidarity which provides the framework for fair trade. This concept is expressed through a certain number of normative principles and images which together make up the referential for these actors (table 1) which we are now going to examine.
Table 1: Description of the solidarity referential

<table>
<thead>
<tr>
<th>Values</th>
<th>North-South trade “Trade not aid”.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solidarity and fairness/autonomy</td>
<td></td>
</tr>
<tr>
<td>Normative principles</td>
<td>Working with poor and marginalised producers</td>
</tr>
<tr>
<td>Forging links between small-scale producers through an organisation</td>
<td></td>
</tr>
<tr>
<td>Improving living and working conditions</td>
<td></td>
</tr>
<tr>
<td>A fair price and premium</td>
<td></td>
</tr>
<tr>
<td>Pre-financing</td>
<td></td>
</tr>
<tr>
<td>Long-term commitment</td>
<td></td>
</tr>
<tr>
<td>Direct relationships with producers</td>
<td></td>
</tr>
<tr>
<td>Integrated, or even organic farming</td>
<td></td>
</tr>
<tr>
<td>Lobbying</td>
<td></td>
</tr>
<tr>
<td>Images</td>
<td>Intermediaries seen as a factor in trade inequalities</td>
</tr>
<tr>
<td>Capitalism as a cause of dysfunction in trade</td>
<td></td>
</tr>
<tr>
<td>The cooperative as an ideal organisational set-up</td>
<td></td>
</tr>
<tr>
<td>Working with small-scale producers</td>
<td></td>
</tr>
</tbody>
</table>

1.2. **Normative principles which shape solidarity between the North and the South**

Agreements were made between fair trade actors in the North and the South which committed Southern partners to setting up specific development practices and Northern partners to supporting the processes established in the South and to heightening awareness of the situations experienced by marginalised producers in the South. These agreements are based on a series of normative principles which we will describe on the basis of FLO and IFAT documents.9

For partners in the South, these commitments concern social normative principles about improving people’s living standards and independence (empowerment through training) and though gender equality. This can be summarised as follows:

**Working with poor and marginalised producers and encouraging them to work together**

This means working with poor and marginalised producers. For some fair trade actors, the workers must also be organised in participatory groups with the aim of improving the political and economic organisation of producers. This is the case for FLO, Oxfam Magasins du Monde and some organisations in the South like ComArt and Inkapaya in Bolivia or the CIAP in Peru. Other organisations, though, like IFAT talk about supporting marginalised, disadvantaged or poor producers, without referring to the concept of organisation in groups. The producers can therefore be family businesses, associations or producer cooperatives. This is an approach which is also to be found in the South, for example in Ayniart (Peru). Initially Southern organisations were not required to have a particular legal status but had to have transparent management and participation structures and be democratic in their decision-making processes.

**Improving living and working conditions**

This is in part about making improvements for the members of the community through participation in the development process and strengthening the production sector in the region. It is also about gains on a personal level, though, for example through developments in education and training. The aim here is to foster trading capacity through training producers, providing marketing assistance (improving product quality and management techniques), increasing knowledge of international markets and export procedures and rules. This criterion only features in the key IFAT document but is part of the implicit operating principles of other organisations like Oxfam Magasins du Monde. This

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9 These norms are to be found in a FLO text, which is summarised on their website: [http://www.fairtrade.net/sites/] and IFAT, see website: [http://www.ifat.org]
kind of training, however, is not solely geared towards marketing and economic development – it could well be completely unrelated, for example, literacy classes, food safety, health care, etc.

**Improving women’s conditions**, this normative principle is more recent (end of the 80s). We found a reference to it in an IFAT document on promoting women’s independence, which called for equal pay levels for men and women and for women’s participation in decision-making. Recently, however, Oxfam Magasins du Monde and Oxfam Wereldwinkels have focused one of their campaigns on the importance of fair trade for women and their autonomy.

**Maximising respect for the environment**, through the use of raw materials from sustainable sources (waste recycling, etc.), the use of technologies which are environmentally friendly or minimise risks, and agricultural practices similar to integrated crop management. On this point, there are a number of points in common in the values at the heart of organic farming and those of fair trade and in the problems encountered in trying to expand markets. Fair trade and organic farming offer a sort of “moral ecology” (Vos, 2000 quoted by Goodman et al, 2001), which corresponds to a different way of living and leads to a more sustainable society. These aspects have favoured joint work to draw the norms and working methods closer together, particularly through ISEAL (International Social and Environmental Accreditation and Labelling Alliance), which is developing the SASA programme (Social Accountability in Sustainable Agriculture).

The fair trade partners in the North for their part made a commitment to:

**Payment of a fair price**, which could have different meanings depending on whether or not an international market reference price exists. Where this is not the case, as with craft products, the “fair price” guarantees purchase of the products at a minimum rate which is supposed to remunerate Southern producers for their actual value, for which consumers in the North voluntarily agree to pay a surcharge. This means, in effect, a price which covers production cost, overheads and a fair remuneration for producers. According to IFAT, “fair price” means a wage which, according to local conditions, is socially acceptable to producers, allows them a decent standard of living and takes into account the principle of equal pay for equal work done by women and men. For a product which has a particular value on the international market, such as cocoa, the “fair price” will be higher than international market prices but will vary depending on market fluctuations between a minimum price which fair trade cannot drop below and a maximum price above which the reference then becomes the international market price.

**Payment of a premium** – the partners in the North are committed to paying a “fairness premium” to producers and workers, which is added to the “fair price”. They can then decide democratically what to do with this premium (used for a collective social fund or shared out on an individual basis).

**Pre-financing of crops and/or raw materials** to prevent over-indebtedness with usurers.

**Maintaining long-term direct relationships** with Southern partners (with the fewest number of possible intermediaries to prevent the accumulation of margins) to enable a certain degree of planning, sustainable production methods and the promise of regular income for producers. So the Northern partners agreed to create long-term relationships between Southern producers and Northern consumers through promoting fair trade.

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10 Integrated Crop Management seeks to minimise the use of pesticides herbicides and promotes natural ways of managing plant health.
12 This aspect of relations between fair trade and organic farming has been analysed in a specific paper (Haynes, 2005b).
13 So, for example, for cocoa we have taken the figures for 2003 at a price of ~ 1750 US$/tonne for fair trade cocoa and compared this with the conventional cocoa market price, which at the time was about 1600$US/tonne. This shows that, on average, fair trade allows an increase of 150 US$/tonne. (TransFair: [http://www.transfaireusa.org/pdfs/fastfacts_cocoa.pdf](http://www.transfaireusa.org/pdfs/fastfacts_cocoa.pdf))
Working for structural change in international trade

Fair trade organisations are also political in nature and wish to achieve change in the rules governing international trade and therefore act politically.

These normative principles define the conditions which trading exchanges must respect if they are to be considered as fair. As such, they are not so much rules to be followed as normative bases for negotiation between actors in the South and North.

1.3. Images at the roots of fair trade

Upstream from these normative principles there are a certain number of statements and images which lend sense to the methods of organisation and action used by setting them in a historical perspective:

Capitalism as a cause of inequalities in North/South trade

These fair trade actors both in the North and the South saw the origin of the problem of poverty in the inequalities inherent in North/South trade. For them it was the result of capitalism, as passed on through multinational firms, international institutions like the GATT, subsequently the World Trade Organisation (WTO), the World Bank and the International Monetary Fund, and also caused by regional markets like the Free Trade Area of the Americas (FTAA). These institutions have become symbols of inequality. Positioning in terms of an “anti-capitalist” economy was also a very significant factor for the volunteers of Oxfam Magasins du Monde at the start of the fair trade movement. “Anti-capitalism was the basis for our commitment to fair trade and setting up the Magasins du Monde” (interview with one of the founders, 2005).

The small-scale producers

for the Oxfam Magasins du Monde volunteers in the North and certain Oxfam Magasins du Monde purchasers. Our interviews have shown that when talking about fair trade, reference is always made to small-scale producers, especially from the agricultural sector or rural areas.

Cooperatives:

The cooperative is also seen as an ideal type of social organisation in the South.

Intermediaries:

They are perceived as unacceptable – the symbol of the excessive margins which partly explain the inequalities in trade.

1.4. Forms of organisation

The different forms of organisation which determine the nature of trade between actors in the North and the South can also be traced out. In the first stage, they are mainly negotiations between stakeholder associations in the North and organised actors in the South working together on projects combining development of Southern production on a community basis and product promotion in the North within specialised distribution channels, which often lie outside standard commercial ones.

This kind of organisation has two essential characteristics for regulating trade:
- the trade is the object of specific negotiations for each project, which are based on the normative principles for fair trade. These negotiations leave extensive room for manoeuvre so that the principles can be adapted to the specific situations in the regions and countries in the South
- the consumer markets, with strong roots in activism, are highly segmented – i.e. there is little competition between them and they are not very large - distribution channels are specific.

Markets constructed in this way can thus be described as negotiated markets which are markedly independent from standard competition mechanisms.

In the second phase, which entails the integration of some products into conventional trading circuits, the organisational set-ups vary a great deal since, on the one hand, the market is international and, on the other, the conventional prices provide the reference points for the allocation of a premium and a
price supplement to Southern producer organisations. This kind of organisation is characterised by the regulation of trade where:
- the trade is regulated through a double reference to the international market in which products have to compete for a share with conventional products
- the negotiation between Southern and Northern actors is triangular, with the inclusion of commercial stakeholders and associations (NGOs) from the North, which tend to provide assistance in organising the actors in the South and bear all or some of the transaction costs associated with these markets.

These markets – which are mainly for agricultural commodities (coffee, cocoa, bananas) distributed as such or processed in the North – are therefore more competitive since there is direct competition with conventional products. However, they are protected markets because there is generally only one fair trade product available, at least at national level. These are the market situations which have led to a first form of labelling and certification, which shows the increased distance between consumers and producers.

This first shift in fair trade forms of organisation can nevertheless be considered as a consolidation phase in the development of fair trade, rather than a questioning of the referential, which continued to be the common framework for all the actors.

2. New market dynamics and the crisis of norms.

Our analysis focuses on a new stage in the development of fair trade, and a questioning of its current nature. It is marked by the emergence of new actors, new circuits and even by modifications in the ranges of products offered to consumers. We will look first at the market transformations through the products, actors, trading circuits and consumers.

For about 10 years, we have seen the emergence of new actors in fair trade in both the North and the South. These new commercial actors range from small-scale operations like Citizen Dream in Belgium to large-scale retail outlets. These new actors also include intermediaries: import companies, processing companies (in some cases a multinational like Callebaut, for example), development NGOs, and in some countries, the public authorities. New consumers have also become interested in fair trade. They are normally part of different distribution channels and do not normally shop in Magasins du Monde, but go to large-scale outlets or the new smaller retailers. Moreover, in the last two years, a series of products have been developed which have new kinds of labels – those based on what are termed ethical or solidarity criteria.

Without wishing to go into excessive detail, it is worth pointing out the aspects which we think lie at the root of this movement. The first aspect is certainly demand from Southern producers since an increasing number of organisations in the South are trying to get into the fair trade network or want to sell more, but the current distribution channels are insufficient. This is encouraging some actors in the North to develop new markets. The success of certain products there suggests that it may be possible to enlarge these markets. Fair trade is better known and understood by larger numbers of consumers and this has led to political interest, but there are also new entrepreneurs importing new products, creating new sectors and introducing new approaches to fair trade.

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14 At national level it is worth mentioning here the integration of the Fair Trade Centre into the BTC and the interest shown by Belgian cooperation in supporting programmes and projects linked to fair trade. At European level, see (amongst others): Committee on Development and Cooperation, 1998; Commission of the European Communities, 1999; Lamy, 2004 and Mandelson, 2005. We should also highlight the increasing consumption of fair trade products in public administration bodies: Max Havelaar and/or Oxfam Magasins du Monde.
2.1. Quality: differentiation, hierarchisation and trade

The question of product quality plays a central role in this development. On the one hand, wanting to extend the markets to larger numbers of consumers, who are not necessarily activists, involves promoting qualitative aspects beyond the criteria of fairness alone. On the other, new demands are appearing, either in terms of aesthetics or in terms of other criteria thought to be related to fair trade, such as sustainability or organic production.

Thus, for craft products, during our interviews, some retailers criticised the choice of products distributed by Oxfam Magasins du Monde in Belgium. They thought they tugged too much at the heart strings and gave a bad impression of the South where, in fact, there may well be a high level of craft skill and know-how which they would like to promote in order to get away from the charity-based approach: “They tug too much at the heart strings, you make out you’re poorer and poorer and finally someone buys what you’ve got out of charity” (Interview, 2004). The existence of a demand for better quality products can be seen from the emergence of new commercial players like Citizen Dream. For its part, Oxfam Magasins du Monde is asking its partners in the South to increase quality and diversity in their product range (to fit in better with European tastes).

Another example is clothing, for which a more general sustainable development approach has been adopted by the designer Marie Cabanac in her shop Ethic Wear, or by Christine Moreel, who set up the wholesaler Stof en Aarde. Their aim is to participate in sustainable development by offering customers clothing which is as “sustainable as possible”, made from organic or plant materials, with limited use of dyes and chemical treatment. The cloth and/or clothing is also processed in accordance with social regulations. It is as part of this approach that they distribute clothing made from fair trade organic cotton as part of the French brand IDEO (for Stof en Aarde and certain chains like the Colruyt Bio Planet shops).

It is also worth pointing out the views of retailers who criticise the quality, in terms of taste, of Oxfam chocolate, since they feel that it does not correspond to consumer demand. Delhaize’s response has been to market its own fair trade chocolate under the Max Havelaar label15. However, the other major retailers have left Oxfam chocolate on the shelf and let consumers make up their own minds. Oxfam Fair Trade is therefore considered as a brand like others, which has to shoulder its commercial responsibility in terms of consumer tastes, meaning that retailers may end up not stocking products, like Delhaize has done, if they are not marketed properly.

Conventional trade producers and retailers are putting products which are both fair and organic on the market. This quality corresponds to:

- market analysis: “We are convinced that consumers who buy organic products are interested in fair trade and vice versa” (Retailer, 2004); a sentiment echoed by another retailer in terms of market requirements and changes in consumer motivations: “Customers are increasingly motivated by considerations going beyond the simple product purchase criteria.”

- by physical constraints, since the space available for quality products is limited: “Monoprix in France systematically offers products combining the two, which makes sense from the point of view of a retailer with limited shelf space. With 1700m² on average, it allows them to offer two concepts in the same product” (Retailer, 2004).

- a concern to be as different as possible from the competition. This means offering the most complete range of organic, fair trade, and combined organic and fair trade products as possible.

In this context, importers of tropical organic products (mangoes, fruit, coffee, cotton, silk, etc.) in the North were very interested by the additional added value to be gained from fair trade certification (or at least some kind of social certification). This meant that Swiss distributors of organic cotton asked their suppliers to become certified fair trade suppliers and/or set up codes of good practice which include social criteria.

15 This is part of a wider tendency in Delhaize to develop products under its own brand.
These different facts are linked to three processes: one involving differentiation in products according to a qualitative hierarchy (product range phenomenon). This process entails competition between products and between distribution channels. However, this competition tends to encourage the association of the criterion of fairness with other criteria (such as organic or sustainable considerations) which allow increases in product quality to be made and allow consumers to differentiate between them. At the same time, though, they increase the competitive nature of the fair trade market.

2.2. Competition from ethical products

In entering conventional markets, fair trade products are also faced with another form of competition which comes from ethical trade products. This is part of the tendency associated with “corporate social responsibility”. In its basic form, ethical trade ensures that companies and suppliers, from wherever they might be, comply with a set of minimum social norms defined in reference to the International Labour Organisations’ rules (no forced labour, freedom of association within the company, quality and safety in working conditions, no child labour, decent wages, no excessively long shifts, no discrimination, use of work contracts, no inhumane or degrading treatment). In practice, trade in ethical products is carried out through a number of different codes of good practice set up by the companies involved. In many cases, the retailers adopting these codes also put fair trade products on the shelves, too.

De facto, the concept of ethical trade fits in better in Southern countries which do not enjoy the same degree of social legislation as countries in the North (Redfern & Snedker, 2002). Johnson (2002) summarises the differences between fair trade and ethical trade as shown in table 2.

**Table 2: Main differences between fair trade labelling criteria and businesses’ codes of conduct**

<table>
<thead>
<tr>
<th></th>
<th>Fair trade</th>
<th>Ethical trade</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>Development of marginalised producer organisations</td>
<td>Implementation of labour norms</td>
</tr>
<tr>
<td><strong>Target</strong></td>
<td>Small-scale producers and disadvantaged employees in developing countries</td>
<td>Workers employed internationally</td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td>One label per product</td>
<td>One code of conduct per company</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>Internalisation of social and environmental costs in the price</td>
<td>No provision made</td>
</tr>
<tr>
<td><strong>Premium</strong></td>
<td>Used for development aid</td>
<td>NONE. Watering down of the concept and loss of control over content</td>
</tr>
<tr>
<td><strong>Participation</strong></td>
<td>Partnership with paid producers, participation in the decision-making process</td>
<td>Limited participation of employees in control</td>
</tr>
</tbody>
</table>

Source: Johnson, 2002.

In ethical trade we do not find the normative principles of the solidarity referential, namely a “fair price”, the fairness premium, long-term commitment to small producers and pre-financing (seeds and/or raw materials). The political dimension of fair trade and its role in terms of educating people about the North/South relations disappears. However, ethical trade for some English-speaking authors (for example, Blowfield and Jones, 1999; Browne et al., 2000) now corresponds to a broader concept which goes beyond fair trade and permits the integration of other types of ethical consumption, such as organically farmed products, integrated farming, and more environmentally friendly production methods, or social codes. It is worth noting that these authors seem to suggest that the two merge into each other and do not devote much attention to the issue of definition. In any case, in its more complex forms, ethical trade allows the “sustainable” quality of a product to be taken into account from the “field to the shop shelves”, from both a social and environmental point of view.
Given these definitions, the positioning of some of the actors could be interpreted as a hybrid strategy encompassing aspects of fair trade and ethical trade. Citizen Dream, for example, sells products from two kinds of source, whilst being seriously concerned about development. On the one hand, their products respond to fair trade criteria and are made by member organisations from international networks (like IFAT, for example). On the other, there are ethical products made in conjunction with other NGOs (or organisations) which are not part of the fair trade sector but do take part in development or aid activities. Citizen Dream has found that its turnover can basically be broken down as follows: while 60% of sales come from products from IFAT member organisations and 33.5% from products from other NGOs and producers, the 33.5% account for 62.6% of turnover (Citizen Dream document). This organisation sees this fact as additional proof of the quality of fair trade products, which are less adapted to the European market than those from the ethical trade sector (Interview, 2005).

2.3. Organic farming or biotechnology: drawing closer or fatally attracted?

Fair trade “encourages producers to work in order to obtain organic certification”. This principle is stated again and again in all the general chapters of the specifications published by FLO (FLO, 2003). Specifically, fair trade requires producers to use integrated crop management as a basis for agricultural production and the FLO specifications give a list of banned chemical substances. The norms published for Indian and Peruvian cotton even show the price premiums to be paid for organic cotton and fair trade cotton, whilst those for Pakistani and African cotton only mention the fair trade premium. This shows the reality of the situation in the field; cotton grown by Peruvian or Indian producer organisations is both organic and fair trade, whilst that from Africa or Pakistan is not. Max Havelaar is therefore adapting to the situation of the organisations seeking certification. This adaptation goes even further in the case of African fair trade cotton, since in this case the specifications reveal a certain distancing from the ideal of organic agriculture which comes out in the ambiguous stance on the GMO issue in the published standards.

The general specifications published by FLO for small-scale producers of African cotton mention that genetically modified varieties should be avoided as much as possible (FLO, 2005b). This does mean, though, that GM production from small producers can indeed be certified. This rule corresponds to the stance of Dagris, a cotton company which is involved in setting up a fair trade certification system in West Africa. According to those we spoke to and the on-line documents on the company’s website in 2004, Dagris is against organic farming and in favour of studying GMOs (which are already authorised in Burkina Faso and Mali). This led to a great deal of controversy in France and opposition from movements like Attac and NGOs like Greenpeace, which feel that fair trade is compromising its principles through contact with large companies like Dagris, whereas its initial aim was to combat them. To some extent the issue has been resolved. Max Havelaar France has published a statement in which it reiterates its opposition to GMOs (Max Havelaar France, 2005c). It was subsequently taken up by Max Havelaar Belgium, which justifies its opposition to GMOs through its philosophical commitment to campaigning against multinational seed and plant health companies – thus shifting the criticism from multinational cotton firms like Dagris to other multinationals (Max Havelaar Belgium, 2005a). We note that Dagris allows Max Havelaar to support this change. It states its opposition to the use of GM cotton in the fair trade sector without mentioning the modification in the position for the rest of the company’s cotton crops (Dagris 2005). For its part, Max Havelaar can also protect the relationship created with its client and protect it from competition since its statement is supplemented by a lengthy text on the purity of West African cotton. Coming from the only area in the world which

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16 A former colonial company, Dagris controls a significant part of the cotton sector in the area (transport, ginning, and export). In partnership with the French ministry for cooperation and Dagris, Max Havelaar has been given the role of certifying Southern producers and finding sales opportunities in the North.

17 For example, see Politis, Thursday 28 April 2005, dossier on the solidarity economy.
has not authorised GM cotton crops. “Clothing made from fair trade cotton is, along with that made from organic cotton, the only type guaranteed as GM-free for the consumer”. This guarantee would therefore not apply to fair trade cotton from Pakistan, for example. Fair trade cotton is therefore caught between an attraction to organic farming and stances on biotechnologies.

### 2.4. Uncertainties surrounding processed products

Traditionally, fair trade rules are only concerned with craft products and farm field crops, since tropical agricultural products are often dispatched to the North without any real processing (flowers, coffee, fruits, cocoa, etc.).

Max Havelaar is willing to label products which are not 100% fair trade but mixed with conventional trade products. This has led to the development of a range of composite products, like bars of milk chocolate or yoghurts. Labelling norms vary and are likely to become more and more flexible, so a yoghurt containing only 3% of fair trade products (sugar and fruit) can get an FLO fair trade label. This dilution of the fair trade part in other processed products may give rise to concerns about watering down the concept of fairness and its effects on the consumer who reads the label. Can a processed product containing so little fair trade substance really be considered as a fair trade product?

Other organisations also offer composite products but require a higher percentage of fair trade products in the mix. For example, for its cosmetics Oxfam Magasins du Monde requires all items to be made up of at least 50% of fair trade products. It is worth noting that 95% of the ingredients for certified organic products must come from organic sources. For levels between 70% and 90% an explicit reference must appear on the packaging. There is no certification for levels below 70% (Biogarantie, 2005).

Distributors are looking at these movements and asking themselves why they shouldn’t introduce products made in Belgium which meet production criteria in line with the concept of fairness, for example the use of milk from family and/or organic farms? From those that we interviewed, it would seem that fair trade bodies wish to maintain their defining characteristic of supporting “small-scale producers in the South, as part of a development approach”. They also feel that the fair trade label is not suitable for products from the North since there are other forms of labelling for these products (“farm fresh”, “traditionally made”, etc.).

The issue of labelling cotton adds a new dimension to the issue of processing products in the South and that of extending fair trade rules to companies in this region. In fact, processing is no longer necessarily a small-scale craft procedure. When producing a T-shirt for example, the processing circuit is long and industrial – once ginned, it has to be spun, woven and then sewn together. For fair trade importers it is essential that the processing of fair trade products obeys ethical rules, since consumers would not understand why it did not, if that were the case. However, sometimes the processing companies show scant regard for International Labour Organisation rules, as constantly highlighted by the “Clean Clothes” campaign, supported by NGOs, trade unions and especially Oxfam Magasins du Monde. As part of the campaign, these different kinds of organisation are putting pressure on their partners to respect ethical rules throughout the production chain. This means that Southern producer groups are being asked to expand their geographical fair trade cotton network since processing (and particularly garment manufacture) is often carried out a long way from the area of production. Therefore the different processing actors have to be integrated into the network and a certain degree of monitoring carried out.

However, FLO specifications contain nothing on this aspect. The situation in which fair trade cotton is unethically processed in a Southern sweatshop could still occur, at least in theory, and traditional fair trade actors speak out against this situation, which they consider to be inconsistent with the principles.

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18 Burkina Faso has authorised laboratory tests.
of fair trade. What standard should be advocated for processing, though? The laws in force in the countries concerned? Or private standards such as SA 8000 or those of the Fair Wear Foundation19, which tend to be aimed more at factories than at much smaller processing workshops? Are new specifications needed? Or a specific fair trade rule? The question is being discussed in the FLO, but meanwhile the defined standards stop at the farm gate. Given this situation, organisations upholding the system of solidarity referential are negotiating a gradual application of social norms with their partners.

The first cotton products from Africa certified by Max Havelaar appeared on the French and Belgian markets in 2005. According to those we contacted, most of this cotton is processed in Europe, which explains the lack of ethical labelling standards, which are taken to be unnecessary there. However, the processing issue does come up for a certain number of products, particularly because fair trade actors seek to maintain the added value which comes from processing in the South.

For cotton for example, we were told that a part of African production is also processed in Africa and that it is not possible to determine where or how this is carried out. The same is true of fruit juice, which is partially processed in Cuban or Central American factories, or for Indian or Peruvian cotton. The lack of clear indications about standards here shows FLO’s difficulty in addressing the industrial aspect of processing and highlights the issue of the sector’s transparency, which is something we will come back to later.

2.5. Types of strategies

Large trading firms are, for their part, subject to corporate social responsibility considerations and their increasing importance for consumers, ratings agencies and financial analysts. They therefore find it necessary to develop ranges running from fair trade to ethical products (as broadly described above) and, for retailers, to carry out combined marketing. We have classed the different practices developed by these companies in the following way:

- those which market fair trade products with a label recognised by the fair trade founding organisations (FLO, IFAT, Max Havelaar). This is the case for several products sold by Delhaize or Colruyt, for example. These are fair trade products meeting the norms set out by certification organisations. Delhaize can be taken as a pioneer in introducing fair trade products to large-scale retailing operations: “Since 1989 Delhaize has offered consumers Fair Trade products labelled by Max Havelaar on its shelves and is therefore a pioneer in the large-scale retailing sector in Belgium” (Delhaize, 2005).

- those which align themselves with ethical, responsible or solidarity-based trade rather than fair trade, and which developed their own labels (or brands) which meet specifications which they themselves have drawn up. These products are taken to be ethical for reasons which could even be environmental or social. Their specifications adopt a “best” price approach for Southern producers but this price is below the “fair price”, as proposed by the fair trade sector (especially for products for which prices are defined on conventional international markets). Then there is a new specification aimed at wholesalers, which takes into account traceability – Utz Kapeh for coffee. Utz Kapeh is part of EurepGAP20, a partnership for sound, sustainable agriculture set up for and by the large-scale retailing sector. It is defined as “a worldwide certification programme for responsible production and purchasing of coffee. Utz Kapeh, which means “good coffee” in the Mayan language, ensures social and environmental standards in coffee production.”21 The label guarantees product traceability from the producer onwards, a condition which is increasingly required under European trade rules. It also

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19 The Fair Wear Foundation is an initiative made up of professional textiles associations, trade unions and NGOs for establishing ethical working conditions in textile factories.
20 www.eurepgap.org
21 Utz Kapeh: www.utzkapeh.org
guarantees that producers comply with a code of conduct including a series of economic, socio-cultural and environmental criteria for responsible coffee production. This system seems difficult to apply to cooperatives of small producers. Is a cooperative made up of more than 100 families of small producers really in a position to specify the origin of quantities of 100 kg? Is there not an inherent danger in such a set-up in that it would favour links with large coffee producing operations which are easier to identify and thus sideline the small-scale producers? We will return to the impact of organising traceability on Southern producers in chapter 3.

- Finally, there is a last initiative which can be defined as social or charity-based marketing. It links the sale of products to the financing of development programmes in the South. The companies involved wish to portray an image of commitment to poverty problems in the South. Their approach to development issues, however, is mainly geared to providing charity, which is not necessarily in line with the needs of the producers of the articles sold, and to quality requirements which are typical of conventional markets. This can be seen in the case of the Collibri initiative at Colruyt, involving the development of a series of new ethical products under their own brand name to help finance educational programmes in poor countries. The articles in the range are presented as quality products which respect the community, trade and nature. Moreover, a certain percentage of the sale price is allocated to education in poor countries (5% of the ex-VAT price for food products and 3% for non-food products, see table 3). Colruyt/Collibri interpret the fair trade normative principles their own way, so the “fair price”, for example, is defined according to conventional market rules and quality requirements: “We want to buy products at a price in line with the market rate. In order to meet supply and demand criteria, a product must demonstrate its value and constantly improve.” The funds generated finance education programmes which are managed by Belgian development NGOs.

Another example is Callebaut (a cocoa processing company), which contributes to financing an international foundation called the “World Coffee Foundation” supporting cocoa producing cooperatives with two underlying objectives. These are to reduce the number of middlemen in the chain and to encourage producers to increase cocoa production and improve quality. Callebaut is aware that if the price is too low to allow producers to earn a living from producing cocoa, they will stop farming it and this will have a direct effect on cocoa and chocolate prices on the international market: “It is very much in our interest to support better production in the South, since our operation is based on cocoa production. There might not be any more chocolate in the future ...” (Interview, 2005). The foundation therefore finances producer-supplier contact programmes to improve cocoa bean quality. These programmes focus on fermentation and drying techniques or to improve cocoa plantations genetically. A further objective is to group producers in cooperatives or farmers’ associations in order to have a contact point to make their dealings easier. In the cocoa sector there are only a few hectares under production per producer, which means that Callebaut has to deal with a large number of people – a situation which obviously poses certain problems and requires rationalisation. It is Callebaut’s clear view that its charity operation (the foundation) is, first and foremost, intended to improve cocoa production with a view to improving the company’s trading performance. The multinational is not interested in working with NGOs, since it believes that sizeable funds are needed, in addition to specific know-how, in order to achieve agricultural improvements. The foundation was therefore established within the group and for its own ends.

2.6. Restructuring in the fair trade sector

Not all the fair trade actors have adopted the same stance in terms of these developments so we have attempted to put forward a visualisation of some of the fair trade actors in the North (Belgium).

The intention of the diagram is not to include all the actors involved in fair trade in the North or to position them precisely, but it gives certain trends and allows us to see the tensions which could arise

22 On Colruyt’s website: www.colruyt.be
23 There are also tensions within single institutions or organisations, for example Oxfam Magasins du Monde,
between the different actors. So for example, the political campaigning by Oxfam Magasins du Monde for changes in the rules governing international markets clashes with the views of some actors who see North/South inequality problems solely in terms of lack of training, which inhibits access to the market. These actors do not question the WTO rules regulating international markets.

There is the referential axis, which runs from solidarity values at one end to market ones at the other, with their different norms and images as mentioned above (though not exhaustively). On this horizontal axis we find the fair trade organisations and the different kinds of consumers.

The vertical axis runs from development approaches at the top, starting with social change through political lobbying and education about socio-economic issues (whether through development education and/or political lobbying of international institutions which regulate markets and companies) and going through to the aid-based view, which is founded on philanthropy and charity and does not question the regulating mechanisms for international trade.

In the top left quadrant (I) we have placed the actors who uphold the initial solidarity referential and continue to carry out political campaigns to secure change. This group includes some volunteers and consumers connected with the Oxfam Magasins du Monde movement, and also certain development institutions which support fair trade without necessarily being involved in trading (for example, the BTC or SOS FAIM24).

In the top right quadrant (II) we find actors like Oxfam Magasins du Monde/Oxfam Wereldwinkels and Max Havelaar, which have become increasingly involved in a commercial approach (to differing degrees, according to the actors concerned). We have given the somewhat extreme example of Max Havelaar products being available at MacDonald’s in Switzerland. At the same time, these actors continue, to a greater or lesser degree, to carry out activities in politics and education with a view to social change (this is particularly the case for Oxfam Magasins du Monde and Oxfam Wereldwinkels).

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24 SOS FAIM is an NGO which supports Southern fair trade partners in line with the solidarity referential.
In the bottom right quadrant (III) we have placed those actors, broadly defined above, who see their fair trade approach, not as part of a process for political change, but as based on aid-related development (sometimes directly linked to fair trade producers, sometimes through more general programmes). Amongst these actors, the fair trade motivation, although mainly geared towards the market, may be rooted to a greater or lesser degree in solidarity-based values, for example Citizen Dream and, to some extent, Delhaize. Others have come to consider fair trade as a commercial opportunity which possibly offers an approach to development based on philanthropic values or charity (for example, Colruyt and Callebaut).

The last quadrant, at the bottom-left, includes organisations for which the main motivation is solidarity and helping the most disadvantaged partners in the South. Trade is a way for them to achieve their objectives but, unlike those in quadrant (I), these actors are not involved in lobbying for political or social change. Their action is generally limited to one shop and/or a very close relationship with specific favoured partners in the South, for example some charities or groups associated with the church.

2.7. **New consumers: caught between quality and fairness?**

Among the fair trade organisations we have encountered, many are customers of Oxfam Magasins du Monde who are demonstrating their opinion (in favour of the third world, anti-capitalist, etc.) and/or
their support for the work of Oxfam Magasins du Monde by favouring the purchase of fair trade products. In other words, they are committed consumers, practising what Dobrè (2003) calls ordinary resistance. The study by Defourny, Poncelet and De Pelsmacker (2003) confirmed this approach, showing an over-representation of “fair prices”, “dignity of the producer”, “bringing about political and social change” and “alternative consumption” as reasons for purchase among the customers of Oxfam Magasins du Monde group.

But extending the fair trade market must necessarily involve the entry of new consumers. Do they adhere so strongly to the values, standards and knowledge of fair trade? To answer this question, we used a qualitative approach, through the focus groups described in the introduction. The results allow us to observe the use of different approaches, depending on marketing network.

Consumers in first generation networks.

In the case of volunteers and customers of Oxfam Magasins du Monde questioned for the study, we observed the use of a political approach:
- based on values which are critical of the market: anti-globalisation, against multinationals, against over-consumption. As one participant put it: “Just going into a fair trade shop is in itself making a political choice”.
- reflected by the participants’ commitments within other organisations, which corroborates the results of Defourny, Poncelet, De Pelsmacker (2005) on Oxfam Magasins du Monde volunteers.

It is worth noting that although these people with these values want to promote a “new kind of trade”, they focus their criticism at political level and are much less interested in development projects. In that sense, they do not use some of the normative principles of the solidarity referential.

Knowledge of fair trade standards is also much more precise among Oxfam Magasins du Monde volunteers than among its customers. Shared standards include work within communities, or cooperatives, a fair price (without the notion of premiums), ethical working conditions, particularly with regard to child labour and respect for decent working conditions, and environmentally-friendly activities. The associated image is one of an expensive product produced by a farmer or factory working in good working conditions. We will come back to this aspect of the concept of fair trade later in this chapter.

The concepts of organic and fair trade are linked and considered to be based on the same values, which very much corresponds to the view of traditional fair trade actors already discussed above. “If it’s fair trade and a food product, it must be organic”.

Some differences between customers and volunteers of Oxfam Magasins du Monde come to light in the course of the focus groups:
- the concept of prices being higher is minimised among volunteers, who deem the additional cost to be small or even non-existent, and certainly within acceptable limits.
- volunteers see community activity in the South as being carried out by cooperatives, which ties in with one of the images of traditional fair trade actors.
- the concept of long-term commitment is seen in the volunteer group but is absent in the customer group.
- finally, consumer confidence relates to the name (the brand) and the distribution channel of Oxfam Magasins du Monde.

This type of consumer is therefore also in line with the solidarity referential described in the first part of this chapter. Buyers of craft products are closer to these referential than those who only buy fair trade food products, irrespective of the distribution channel. There are several possible hypotheses to explain this observation: the prominence of the placement of craft products in Oxfam Magasins du Monde and discussions which can be started about them, the cultural differences they represent, which can be food for thought, the history of fair trade, which started with handicrafts, etc.

Oxfam Magasins du Monde customers also use a charity-based approach. Because it is anchored in solidarity, sharing and, above all, the concept of protecting and serving others, fair trade is perceived
as being NGOs supporting workers in the South, and the act of purchase as being a good deed which gives as much pleasure to the person giving as the person receiving. These standards too reflect those of ethical trade, notably the absence of child labour, and also those of fair trade, in particular because fair trade allows a better redistribution of profit because of the reduced number of intermediaries. The standards are embodied in labels, but above all within NGOs whose names have the value of brand-recognition (Oxfam Magasins du Monde, Greenpeace).

In terms of normative perception, then, there are no substantial differences between those using political referential and those using charitable ones. Differences develop mainly with regard to:
- the distribution channels for products which are perceived as ‘fair trade’. Markets are perceived as places where the products sold are ‘fairer’ because they allow a direct relationship between producer and consumer.
- the images conjured up. These are of the beneficiaries of fair trade, who live in slums or poor countryside, who are too poor (to pay for pesticide, for example) and who, thanks to fair trade, can smile, happy in the knowledge that their work is being paid a fair price. Aid relations with the South do not rule out feedback from the person who is being aided. In fact, the smile of the producers or people aided, which is a form of thanks which makes the reality of aid and its effectiveness more tangible, emerges as an important element. We will come back to this in section 3.
- the perception of the link between fair trade and organic farming. Although these are considered to go hand in hand by those consumers using political referential, this is not the case for those using a charitable approach. The majority of those in the groups do not have confidence in the natural qualities of organic products and, unlike fair trade products, feel that organic products are expensive.

The new consumers

The distribution of fair trade products outside the Oxfam Magasins du Monde channel gives new consumers access to these products. The question therefore arises as to whether these consumers differ from Oxfam Magasins du Monde consumers in the meaning they accord to the purchase of fair trade products and in their perceptions of those products.

The focus groups enable us to see that some of them subscribe more to the charitable approach described above, whereas others subscribe to a market approach.

The charitable approach corresponds to what is described above, with the slight variation that those who buy Citizen Dream products are first attracted by the quality of the products and their presentation in the shop before being interested in the fair trade aspect. This was precisely the hope of the founders of Citizen Dream, who wanted to bring custom to fair trade products through the quality of the products and not because of charity or politics in the sense that we see in section 3.

The market approach, which involves values of social justice and entrepreneur responsibility and the standards of ethical trade, uses an image of workers who benefit from decent living and working conditions. This approach expects a competitive quality/price relationship and the use of marketing tools (i.e. increased publicity, better placed shops with longer opening hours) from fair trade.

We can see that these three approaches (political, charitable and market) have standards in common which are close to those of ethical trade, with an almost complete lack of reference to the issue of women or to the demand for better revenue for producers either through revenue redistribution or through a higher purchase price. We will discuss the consequences of these observations in the conclusion to this chapter.

Three other elements should perhaps be underlined:
- The general difficulties imagining the real working and social conditions for producers in the South. When looking at the issue of the living conditions of the producers in the South and the difficulties they might face, or in other words, when we go beyond the image of poverty symbolised by children or adults who are dressed in ill-fitting clothes, under-nourished and under-educated, perceptions of the lives of producers become very vague. Some people imagine that it is very hot, making working conditions hard, or that there might not be enough work; few people mention anything more tangible, such as the lack of modern farming equipment.
- The shift in the geography of fair trade. Fair trade has always been something between producers in poor Southern countries and consumers in rich Northern ones. But in all of our focus groups,
irrespective of the type of products purchased or the place of purchase, we observed proposals to change the fair trade network (which were not contested by the other participants in the group) whereby the perception of poverty plays the determining role; anyone who is poor can be included in fair trade. We therefore heard proposals to extend the network to countries in Eastern Europe, where the standard of living is perceived as being far below our own, or to European family farms of the type threatened by industrial agriculture. As already mentioned, some distributors are in step with this kind of expectation. Conversely, consumers summarily exclude from the network certain countries in the South which are perceived as being “too rich” i.e. South Africa, Argentina, Morocco, despite the crises faced by these countries, and certain types of producers, in particular those who compete with small European producers (in the production of honey, for example) – which is consistent with a desire to extend the network to family farming – or are implicated in relocations, e.g. where relocation in the textile industry creates unemployment in Belgium.

- **Questioning of organic farming.** Although there are connotations which link the concept of “fair trade” to the concepts of “natural” and “craft-related”, organic farming is often only associated with these themes by participants who refer to a political approach. Several linked elements contribute to this:
  - ignorance (e.g.: “Countries in the South are too poor to use pesticides” or even “organic is to do with European products”).
  - a lack of confidence in organic product guarantees, e.g. absence of pesticides or the quality of controls.
  - incredulity based on inability to control the natural elements (e.g.: “I don’t think it’s possible for products to be organic, if nothing else because the rain isn’t clean”; “Organic is a commitment not to use pesticides….- It’s impossible, if nothing else they get carried on the wind”.

This places organic farming in an ambiguous relationship with fair trade (depending on the degree of confidence in organic products) but, in any case, there is an inherent expectation of an “ecological” quality. It is paradoxical that although it is “organic” which corresponds to a legal definition and organised controls, it is the fair trade label which generates confidence (where it exists), even though it does not correspond to legal criteria. Perhaps the perceived impossibility of lying about ethical or fairness criteria is sufficient to create the basis of this confidence for consumers.

**Perceptions of products and the expectations of new consumers.**

Fair trade objects purchased outside the Oxfam Magasins du Monde channel are perceived as “beautiful” and “original”, which can be analysed as corresponding to an expectation of a difference in terms of the quality of the products; a quality which rests on know-how or the very fashionable ethnic aspect, and which gives rise to impulse purchases or the desire to go into, or go back to, a Citizen Dream shop. Participants remember exactly the location of Citizen Dream shops and objects they have seen in them, even if they cannot quite remember the name of the brand.

Fair trade clothing and textiles are perceived as being made from natural fibres (linen, silk) without being mixed with artificial fibres.

Buyer resistance is linked to the image created by certain woollen products marketed by the Oxfam Magasins du Monde or in markets where the “ethnic” aspect is rather a rejection criterion, either because their style makes garments difficult to wear (the image being one of a rainbow-striped woollen poncho) or because the quality of the materials has left a bad impression: the dye runs, the fabric is scratchy, it shrinks etc.: “I can’t turn up at work in a multi-coloured jumper”. A fair trade garment is also seen as being a garment for everyday use, without any fashionable aspect to it, other than perhaps the very fact of wearing a fair trade product. For the men’s group, it therefore becomes a “trendy” statement, the sole preserve of “trendy boho-types”, a sign of pretension. The ethnic aspect which is perceived as a sign of quality for objects is therefore a rejection criterion for clothing.

In the case of cocoa, consumers do not seem to expect a particular quality, with only one participant talking of “authentic” flavour, which is to say a “strong” flavour, whereas another mentioned the need
for the absence of the cocoa-substitutes which are permitted under new European legislation, putting producers from the South at a disadvantage because it allows chocolate makers in the North to buy smaller quantities of cocoa.

These expectations and elements of resistance are not unlike those found among the customers of Oxfam Magasins du Monde, who expect the use of natural materials (wool, cotton, silk, linen, wood), with a sole exception made on the basis of quality-concerns for the idea of artificial fibres in socks to improve stretch. They imagine cottage industry-type production methods, which explains small flaws encountered: “there isn’t the same standard demanded, that’s what certain salespeople have told me: “you’ll understand if there are any small flaws.””. This comment is also sometimes made for craft objects. For women questioned, the purchase of clothing seems to be trickier than that of other textiles, such as tablecloths or hangings, which are perceived as being of a good quality or where the presence of a small flaw in the item is less problematic. Compared to studies such as that carried out by Idea Consult (2002), which stressed that the consumer of fair trade products would accept a lower quality product in a transaction in exchange for supporting development, we see a shift in the expectations of Oxfam Magasins du Monde customers towards quality in the products themselves. Even though, as we have underlined, the quality of Oxfam Magasins du Monde products has changed, this change has not yet been perceived by these consumers.

On the issue of fair trade and organic products, we note a lack of knowledge of the growing conditions for the plants used in textiles. The group of men who purchase fair trade food products differentiates between organic cotton and fair trade cotton (after they had been asked several times). Organic cotton is grown without polluting the soil, without the use of chemical fertilisers, harvested by hand and processed with minimal water pollution. The women’s group is not interested in the matter: there is almost no comment. Both groups see ‘organic’ as something which concerns food products and that “it’s irrelevant whether a T-Shirt is organic”. One possible interpretation of this difference is that men have a more technical vision of both organic and fair trade (with reference to production methods or standards). For other participants organic cotton either does not conjure up any images, or they think of the processing conditions as being “unrefined, unbleached” or the absence of GMOs. This confirms the observations of certain importers and vendors of organic cotton in Belgium, whose customers ask questions such as whether the organic quality is lost on washing (Interview, 2004). Conversely, the question of cotton immediately evokes images in all the groups of slavery on plantations in the southern USA à la Scarlett O’Hara, well ahead of the conditions experienced by small-scale cotton producers in India or Africa, which could indicate that communication on the social aspects of cotton production would be better understood and received than communication centred on organic qualities25.

These observations lend themselves to the following conclusions. In normative terms, extending to broader consumer bases results in a reduction in the normative demands which would tend to lead to confusion between ethical trade and fair trade. In cognitive terms, new consumers are less well informed and less desirous of information on the real production conditions in the South. The geography of fair trade tends also to be extended eastwards, and reasoned in terms of the economic position of the countries concerned (and not in terms of categories such as small producers). Although the image of cooperation between actors in the South remains shared, it is ambiguous. Finally, extending to new consumers also corresponds to a transformation of quality criteria where commercial criteria (taste, aesthetics, etc.) occupy a more prominent place. Put another way, we have here a series of indicators which allow us to believe that extending to new consumers is in line with the emergence of new actors and new distribution channels, but also brings with it the risk of diluting the specific characteristics of fair trade and weakening its normative framework.

25 A detailed analysis of the results of these groups will be offered in an article currently in preparation (Haynes, 2006b)
2.8. **Marketing or harmonisation of standards?**

The diversification of distribution channels, and with it the diversification of products, uncertainty over some products, the trend towards creating different quality ranges, the arrival of new labels and the attraction of the organic label – all these factors, which are signs of the extension of the markets, are also the indicators that fair trade is moving from a market configuration which is contractual and segmented to a new configuration of competitive markets with multiple quality marks.

In these new channels, the problem in commercial terms is twofold. On one hand it is a matter of differentiating between fair trade products and other products in a supermarket aisle so that the consumer can identify them and also of accepting products which have not necessarily gone through a channel of traditional importers (Oxfam Magasins du Monde) – i.e. products from brands (including their own) which might decide to offer fair trade products in their range. On the other, it means selling quality products in the usual conditions for this type of distribution (lean production, standardisation of quality etc.) and therefore the application of production standards.

To respond to the issue of differentiating products, distributors will emphasise the fair trade brands ‘Made in Dignity’ and particularly ‘Oxfam Fair Trade’, which is perceived by distributors as the ‘true’ fair trade mark – i.e. the one which brings added value. Indeed, Oxfam enjoys a high level of recognition in Belgium (54.9% spontaneous awareness, compared to just 3% for Made in Dignity (SONECOM, 2005)).

A response to the entry of new suppliers could be found in a label guaranteeing the real “fair trade” added value on all products of all brands. The Max Havelaar label is the only one in Belgium and France which guarantees that products correspond to the standards drawn up by FLO. It does not yet have a very high level of recognition: 47% in 2004; 57% in higher social groups (CRIOC, 2004). The BTC spontaneous recognition figures cite 31.4% spontaneous awareness and 59.7% prompted awareness (SONECOM, 2005). However, the sales figures for labelled products are growing. In France the total turnover for labelled products rose from 6 million euros in 2000 to 70 million in 2004 (Max Havelaar France, 2005d). In Belgium Max Havelaar recorded an increase between 2002 and 2003 in the quantities sold of 19% for coffee and 52% for bananas (Max Havelaar Belgium, 2005b).

All actors involved in fair trade, both old and new, are able to use this label: traditional fair trade actors (Oxfam Magasins du Monde labels some of its products), producer/importers (Kindy for cotton, Rombouts for coffee, etc.) or distributor brands (e.g. Delhaize). This demand for certification runs up against the small number of products for which FLO has drawn up standards, while the number of products labelled continues to grow. In addition to the traditional products26 we now have flowers, nuts, spices, fresh fruits (lemons from Morocco, pineapples), cotton and, very recently, processed products such as yoghurts, as already mentioned.

Nonetheless, the current state of fair trade has been signalled by the launch of a whole range of labels aiming to assure consumers of the ethical nature of products. Max Havelaar is no longer the only brand to offer social labelling which takes account of Southern producers. In contrast to the standards for organic farming, which is governed by European regulations, the FLO standards have no legal basis and are therefore private standards. It is therefore not possible to create different certification/labelling bodies working on the basis of a joint set of standards, as is the case for organic labelling. Conversely, it is therefore possible for any organisation to propose its own standards and its own system of certification, and to provide a corresponding label.

A feature of these new labels is that they are created by manufacturers or distributors. They are all designed for consumers, with the exception of Utz Kapeh which, as we have seen, is part of the

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26 Coffee, tea, rice, bananas, wine, fruit juice. Craft products are not certified, although the subject is being discussed within FLO and IFAT in conjunction with their partners in the South, and there is an additional issue of the certification of cosmetic products.
EurepGAP platform, which has standards aiming to minimise the qualitative and health risks in agricultural production\textsuperscript{27}. As already mentioned, they participate in a general strategy to reconcile each enterprise’s strategic imperatives with the ethical expectations of consumers. This is why these labels may or may not be able to exist alongside fair trade labels in the shops; this depends on the distributor’s strategy. Delhaize, for example, offers more or less all the fair trade labels and is actively involved in implementing Utz Kapeh, in line with its desire to ensure traceability of its networks (an internet traceability system to identify each producer is in place) and quality, while at the same time maintaining a social approach which does not require pre-financing harvests. These labels are good value for money and can compete with fair trade. This is not incompatible with the company’s general qualitative differentiation strategy and therefore enables them to reference both types of products. Here we find an initial indication which tends to confirm our hypothesis that distributors are working to appropriate the positive image of fair trade.

These labels propose criteria which undermine the basic standards of fair trade, i.e.:
- the payment of a price which covers the costs of production with a margin for the producer. In general this varies depending on the market rate and is not guaranteed.
- the organisation and independence of producers through the formation of groups.

As mentioned before, the new labels offer certifications which range from a simple guarantee that a part of the price paid by the consumer will go to an NGO (Collibri) to a more complete set of standards, which is nonetheless less demanding than fair trade standards (Utz Kapeh), as shown in table 3.

Each of these labels, which are tools of competition between distributors, is also a tool of competition between enterprises with institutional buyers (EFICO has the market for the Belgian federal parliament, Max Havelaar has that of the European institutions) and with consumers. It is among consumers that confusion can arise. This confusion can initially be beneficial for the promoters of these labels, particularly since the price positions of their products are lower than those of fair trade products. However, this confusion could also come back to haunt these businesses if the lack of seriousness of some of their charters were to become known.

\textsuperscript{27} http://www.eurep.org/Languages/English/about.html
Table 3: Examples of the positioning of new labels with regard to price and producer organisations.

<table>
<thead>
<tr>
<th>Name of label</th>
<th>Collibri</th>
<th>Café pour agir</th>
<th>Fair &amp; Free</th>
<th>Bioéquitable</th>
<th>Utz Kapeh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>Belgium</td>
<td>France</td>
<td>Belgium</td>
<td>France</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Promoter</td>
<td>Colruyt</td>
<td>Kraft Foods/</td>
<td>Efico</td>
<td>An organisation of 5 French entrepreneurs</td>
<td>Ahold Coffee Company</td>
</tr>
<tr>
<td>Collaborating NGO</td>
<td>An educational NGO</td>
<td>Rainforest</td>
<td>Rainforest</td>
<td>Rainforest Alliance/local NGOs in the South</td>
<td></td>
</tr>
<tr>
<td>Position/fair price for the producer</td>
<td>No price supplement but 5% of price of products bought by consumers goes to an education programme</td>
<td>Price supplement paid by the consumer finances Efico Foundation development projects. Pre-financing possible.</td>
<td>Guaranteed contractual minimum price.</td>
<td>Market price + supplement corresponding to the added value of certification, negotiated between producer and buyer.</td>
<td></td>
</tr>
<tr>
<td>Position/producer organisations</td>
<td>No obligation for producers to group together in independent organisations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: organisations’ own websites

The developments described above correspond in many aspects to what we have called the surpassing of the framework defined by the fair trade referential. This takes a number of forms: some products and distribution channels escape the normative framework, while some actors develop competing labels which are less strict. Finally, juxtaposition with other labels (in particularly the organic label) adds to the confusion. In the strategies of these actors and the restructuring taking place we can see both a tendency to make standards more specific, what we call “specification of standards” (that is, normative principles which guide negotiations with precise specifications of verifiable conditions for access to the label) and another tendency towards either a fragmentation (with the multiple labels) or a dilution of fair trade within a very restrictive ethical standard.
3. Effects and risks

In this third section, we offer an analysis of the effects and risks associated with these developments. These are ongoing, and it is therefore impossible to pass a definitive judgement, but it is nonetheless possible to identify possible consequences of these developments with reference to the normative principles of the referential.

3.1. Effect 1: Modification in the values and beliefs which underpin action

“Fair trade has moved from being purely an activist-led advocacy and empowerment model towards being a market-led commercial story (…) Fair trade is in fact a neo-liberal solution to problems with trade” (Nicholls & Opal, 2005)

Faced with the changes we have described, the actors involved in fair trade are developing different approaches on the basis of values which are their own and are more or less close to the solidarity referential. Within these values, one of the elements at the basis of fair trade action is using trade as a tool for development. A second element is the desire to establish an associative movement (a network) capable of carrying out educational work on the causes of North/South inequality and to apply pressure for changes to the North/South economic relationship (through lobbying of politicians and multinational commercial enterprises).

The appearance of new actors using different approaches challenges these values. Some favour the commercial approach, leaving aside the movement and political lobbying approaches. Finally, for others, the very concept of development - with trade being no longer a means, but an end in itself - changes the reality of development. This is what we will attempt to demonstrate in the points which follow.

Absence of political reference for some actors

Among the new actors, several direct their action primarily, or even exclusively, towards identifying new markets for products from the South; this is the case for some of the smaller commercial outlets and also some supermarkets.

In this way, Citizen Dream describes its action as having being from the outset a matter of personal activism (of its founders) in support of craftspeople in the South. On the other hand, this organisation makes a clear choice not to commit to political action, nor to the creation of a movement for solidarity with the South based on a network of volunteers. It prefers to separate commercial and political objectives. Its objective is to identify and develop new markets and integrate producers from the South into the conventional market. The element of solidarity with respect to trade inequalities in the North and the South is present, but in the form of trade, which is seen as a means to enable producers to integrate into the conventional market because fair trade, which is a niche market, could never cover all the products offered. The question of the fair trade market outlet is also posed in a different way by Delhaize, which observes that some cooperatives, e.g. of coffee producers, are among the most modern and prosperous in their regions, while other producers around them are living in terrible conditions. The implicit hypothesis is that partners in the South will gradually move from an activity based on the production of objects which they must then attempt to sell to an activity which responds to market demands. This should enable them to attain economic independence and thereby escape poverty. This approach is shown by the two graphs below. These graphs were contained in a study carried out for IFAT by Lawrence Watson.
These have been adopted by Citizen Dream and mentioned in documents from the Belgian Technical Cooperation (BTC) Fair Trade Centre. It is on this basis that the BTC has put in place a support programme for fair trade producers. As a complement to its traditional activities, the BTC supports activities which are likely to open up markets in the North: market surveys, visits to producers from specialist “developers”, quality control and exchange of information, management training for producers, participation in trade fairs, company matching (putting fair trade producers in contact with Belgian or European import companies), and possible investment linked to product development (BTC, 2005). This development does not happen without some discussion on the part of civil servants who normally use a specific index to evaluate development programmes which takes little account of North/South trade aspects. Now the talk is of business and trade, which could modify the evaluation criteria for these projects. Some discussions have therefore taken place, such as: is it a case of increasing management capacities in the South or increasing sales in the North? Is sales increase a criterion to be integrated? When all is said and done, the final document asks organisations to present
a financial report on the use of funds and, where appropriate, indicate any developments in product sales volumes and openings secured.

Modifications to development concepts

The commercial demands imposed by large enterprises and the growth of markets require a review of the standards which govern relations between enterprises marketing products in the North and producer organisations in the South. In order for fair trade products to remain competitive, the quality of the products, the quantities produced and respect for timetables have to be improved. This will, for the producers in the South, require training for which they will seek external funding. This is why in the North the founding fair trade actors combine an approach moving away from the basic solidarity referential towards an increasingly market-oriented one with the use of aid for small producers in the South to enable them to maintain their position or access the market. We can therefore talk of a transformation from a development approach linked to independence and the needs of producers in the South and of their community, to a development approach linked to the needs of the market. Aid supports the transformation of the practices used by Southern producers to respond to market demands and no longer only to local needs. From fair trade based on the concept of ‘Trade not aid’, certain actors are now gradually turning to fair trade based on aid to trade (‘Aid supporting Trade’).

The reduction of fair trade to ethics goes in the same direction. For the supermarkets and/or multinational commercial intermediaries, political issues and/or issues of education on North/South inequalities are not part of their practices. However, as we have previously demonstrated, in their outlets some of them will associate the sale of fair trade products and that of ethical products linked to charitable development programmes. In the latter case, the tendency ceases to be a development approach aimed at the independence of producers in the South and a change in unequal trade relationships, and is moving towards an approach which promotes the products and/or the company rather than supporting development.

Modifications to political lobbying

Founding and third generation actors will need to reposition themselves in the debate on fair trade and in some cases change their political orientations. Bisaillon et al (2005), referring to the IFAT conference in Quito in 2005, say that “it is possible to think that the most radical and activist branch of the movement, associated with the alternative distribution networks, has lost influence because of the constant increase in sales of food products via multiple distributors and the stagnation, or even decline, of sales of fair trade craft products. The objective of transforming the dominant economic model remains one of the movement’s raisons d’être, but is no longer the central point.” Thus Oxfam Magasins du Monde tells us it welcomes the integration of fair trade values into large commercial enterprises, and these enterprises attempting to prove themselves on their territory; that of fair trade, and solidarity. From another point of view, the integration of fair trade into supermarkets transforms it into an economic battle where the individual consumer is key. The consumer is seen as a “responsible consumer”, cancelling out activism and negating the collective and political battle on the inequalities of international trade. Oxfam Magasins du Monde and Oxfam Wereldwinkels are therefore considering the future of their political commitments as regards fair trade and wondering whether they should perhaps direct their efforts towards a form of development and a reorientation of the political lobbying which is already part of their practices. This could be done, for example, by mobilising civil society to play a monitoring role on the social control and respect for socio-environmental commitments made by large commercial enterprises (supermarkets, intermediaries and processing companies) which are often globalised and which say that they are developing products which are traded fairly, ethically and in solidarity, etc. Hence we see the development of campaigns which increasingly target certain multinationals, such as the “Clean Clothes Campaign” which is supported by a range of NGOs and trade unions.

When the European Parliament adopted a resolution on social labels in 1997, it welcomed the initiatives by organisations involved in the “Clean Clothes Campaign”, which had lobbied for this text to be adopted. In the UK, Traidcraft and The Day Chocolate Company both have it as part of their
mission statements to serve as a model for other enterprises. To this end, Traidcraft has created a social audit system with the UK New Economics Foundation (Redfern and Snedker, 2002). Nicholls and Opal (2005) also stress that if the aim is for conventional actors to transform themselves into fair trade actors, fair trade organisations could cease to exist once that aim has been achieved.

It is also interesting to note a change of rhetoric in the political advocacy documents at WTO level. For example, alongside references to marginalised small-scale producers, small and medium-sized Enterprises (SMEs) have appeared, mentioned in a general way without any reference to fair trade in opposition to multinationals: “The WTO must recognise the importance of the SME sector in developing countries and must begin to take account of this group if its policies are to be representative and developmental” (IFAT position for Cancun, 2003). Referring to the lack of traceability for the multinationals’ products, IFAT asked the WTO to “insist upon accountability and transparency in international supply chains”. Likewise, one of the six demands addressed to European political decision-makers in April 2005 by FINE was to strengthen corporate responsibility. Political lobbying action is therefore no longer oriented solely towards international trade rules, and is no longer primarily addressed to politicians, but to enterprises, where the economic power lies; it tends to play the role of speaking out against (in connection with the trade unions) unfair practices and those which do not conform to the ILO minimum standards.

Gradual disappearance of the value given to certain images

This development regarding enterprises also has results, along other lines, with regard to certain assertions in the solidarity referential and, particularly, that of capitalism as the root of North/South inequalities. For example, enterprises which are symbols of globalised capitalism are no longer persona non grata within fair trade. Hence, in the UK or Switzerland, Max Havelaar accepts companies such as McDonald’s Switzerland or Nestlé as clients. This development is not unanimously supported, either among the founding actors or among those from conventional commerce who see the marketing consequences in a negative light. “It is an approach of an appropriating brand-leader and will make the label commonplace, thereby reducing its qualitative scope vis-à-vis consumers” (Distributor, 2004). This movement can be analysed as deriving from the new commercial considerations of Max Havelaar, which has moved from NGO status to that of a private enterprise – a change of status which creates new constraints (finding clients and making profits) and leads to structural modifications: “Now there are marketing people, communication people, an executive board. It has become a cumbersome structure with European Commission budgets...I think it’s a bit excessive”, which has consequences for the marketing of products. “They tell us they are going to increase contributions but each time that increases the cost price” (Distributor, 2004).

3.2. Effect 2: Professionalisation adapted to the market

“All of a sudden the bottom line, profit margins, and all of these words started having real practical meaning. As fair traders, we thought we were reinventing the business wheel, but what we really needed to do was learn the components of that wheel. We could reinvent a wheel but it wasn’t going to fit on the competitive marketing cycle. So what we are doing right now is learning that marketing cycle, what its components are, and then adapting it to our philosophy.” (The head of an Alternative Trading Organization (ATO), quoted by Littrell and Dickson, 1999)

Whatever the face of the new actors in fair trade, they make the effort to train their staff on the question of fair trade, sometimes by reference to the founders of fair trade: Oxfam Magasins du Monde, for example, carried out the training for staff of Carrefour (Interview, 2004). Conversely, there are still some reservations and misconceptions on the part of distributors. In our discussions with those involved in large-scale distribution, for example, concerns were expressed about the commercial attitude of Oxfam Magasins du Monde. For example, on the subject of sales follow-up: “Will Oxfam Magasins du Monde take stock of quantities sold, of developments, will they come back to our shops? No, because they’re not really playing the game” (Distributor, 2004); or suggesting that Oxfam
Magasins du Monde plays on competition between distributors just like any other market participant: “one day we saw that Colruyt was carrying 10 fair trade products, and we thought ‘wow’... then someone else says, well we’ve got 12, so we’re more involved in fair trade than they are. So then we chose to carry 30” (Distributor, 2004).

For its part, Oxfam Magasins du Monde had also to adapt to the constraints of the conventional market and develop various aspects of its marketing. The organisation created a marketing section, which has the ongoing task of searching out new ideas for products and developing ‘fashionable’ products which correspond to the design and taste of the moment. In order to do this, Oxfam Magasins du Monde works with experts in fashion, design development and marketing policy. Also, the appearance on the market of small, well-stocked fair trade shops necessitates a review of the presentation and type of products sold by Oxfam Magasins du Monde. Although the number of shops continues to grow (Oxfam Magasins du Monde has almost 300 shops in Wallonia, Belgium), their presentation has been completely reviewed. Oxfam Magasins du Monde is seeking to develop a new shop-concept, something which is more competitive, and something which has an image of being “natural” (achieved, for example, by having wooden shelves) and which sells a variety of high quality products (from ethnic art through to food products). Oxfam Magasins du Monde is now also considering a new strategy for the placement of its shops, where possible in shopping centres, and the development of certain specialised shops, where product sales are specific enough to warrant it. For example, all those involved acknowledge that the sale of clothing (apart from basic garments) is difficult in impersonal spaces with no advice available, and that it does not sit well alongside the sale of food products: the pace and process of purchasing these products do not fit together. This is one of the reasons which explain the reduction of textile areas in large distribution outlets which are oriented towards food products, and it is also what pushes actors such as Oxfam Magasins du Monde to consider specialising certain shops.

The need to adapt professional work to the demands of the market implies significant change from the point of view of the very organisation of Oxfam Magasins du Monde. The accounting system will have to be entirely overhauled, the management of the shops will need to become more centralised, with better monitoring, etc. These changes linked to the commercial dimension of the enterprise bring with them some resistance and tension within the Oxfam Magasins du Monde movement, particularly among volunteers. For volunteers, the values linked to solidarity and an “anti-capitalist” stance remain at the heart of their commitment (the images that they have of fair trade). They have difficulty seeing themselves in more competitive and commercial reference values. For example, the use of electronic means of payment (such as the debit card system Bancontact) can from one point of view (that of Oxfam Magasins du Monde) be justified in terms of improving and streamlining financial management, but from the other (the point of view of certain volunteers), these machines are perceived as a form of integration into the capitalist system, and therefore rejected. This type of tension exists outside Belgium too. Studying the case of Artisans du monde in France, Le Velly (2004) observes similar resistance among French volunteers.

There is also a question mark over Oxfam Magasins du Monde’s capacity to maintain commercial professionalisation and political awareness-raising activities beyond a given point: will it not be forced to divide into two structures? Oxfam Magasins du Monde currently considers it important to maintain a single institution which continues with all three dimensions (commerce, movement, politics), but Oxfam Wereldwinkels has already chosen to create two entities: Oxfam Fair Trade (responsible for all matters of purchasing fair trade products and finding sales locations) and Oxfam Wereldwinkels (the volunteer movement, responsible for links with partners in the South, the shops, raising awareness of

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28 Thus in the radio RTBF 1 programme ‘Transversales’ broadcast in October 2005, the report on Oxfam Magasins du Monde focussed on the design work being carried out by Oxfam Magasins du Monde with its partner in Ecuador MCCH. It was even mentioned that Oxfam Magasins du Monde had made a choice not to buy textile products from MCCH this year because of the lack of suitability for the Belgian market and instead had chosen to concentrate exclusively on design for a period of one year.
development and political lobbying activities). This is also the case with Mala India\textsuperscript{29}, which is made up of a non profit-making organisation for the funding of educational projects in India and a social company for the commercial aspects.

So, the new distributors are working on the marketing of products and in particular careful analysis of the competition (the gift sector, in the case of Citizen Dream), sales follow-up, presentation (merchandising) of products in the shops, colour schemes and even the location of shops, which are preferably located in busy shopping streets. The sale price, which is above the market price, is no longer considered to be justifiable purely on the basis of the extra revenue given to producer organisations; it must be competitive with the price of other products. As these products are, in general, positioned at the top of the range (e.g. genuine coffees and chocolate, exotic fruits, breakfast cereal etc.), the fair trade products need to be able to match them in terms of quality. We will come back to this aspect and its consequences in chapter 3.

3.3. Effect 3: Greater complexity and specialisation in networks and actors

The transformations observed above also lead to a transformation in the very composition of fair trade channels. If we use the classic image of an NGO from the North negotiating with actors in the South in the framework of the referential, we would have a short channel (with few intermediaries) and therefore relatively direct communication between producers and consumers. These relations in fact functioned largely thanks to direct interaction between the actors involved and scarcely ever involved formalising the normative principles in prescriptive rules: the negotiations took place on a shared normative basis. The consumer, themselves committed to the same kind of values, trusted in this. And the prescriber was both the initiator and the guarantor.

The extension of the markets and the fact they are increasingly competitive (not just between fair trade and conventional trade, but also among fair trade networks or its reincarnations) means increased complexity of channels and specialisation of those involved. This can only serve to increase the distance between actors and make the content and standards of ‘fairness’ less clear. This increased distance itself tends to require specification of standards.

One of the effects of this increased complexity is not only the development of marketing and all the means of defining quality (i.e. the prescription becomes independent) but also a tendency towards specification of standards, i.e. the transformation of normative principles into verifiable technical standards. This specification of standards, when associated with the market, tends to create a role which is itself specialised – monitoring. Thus Max Havelaar has repositioned itself as a certification body for both clients, i.e. distribution companies, and others, i.e. producer organisations.

This increased complexity, which is inevitably associated with the specification of standards, tends therefore to transform what was a general negotiation between committed actors into a series of transactions of a more overtly commercial nature in which the normative principles have to be updated at each stage. The specification of standards is intended to respond to this.

3.4. Effect 4: More specific standards: Can fair trade labelling be seen as an opportunity for change or a shift away from a referential based on solidarity?

The proliferation of private labels first poses the question of the reality of the qualities they guarantee. It was for this reason that the Belgian Consumer Council issued an opinion on labels at the beginning

\textsuperscript{29} A Belgian NGO which sells handicrafts to fund education projects in India.
of 2005 (CRIOC, 2005). In this opinion it defends the idea that it would be appropriate to make a distinction between labels, collective marks and self-declared labels.

The following conditions are those which, according to consumer organisations, should govern the launch of a new label:

- Pictograms which fulfil the following can be considered labels:
  - Guarantees added value as compared to legal provisions
  - Granted by a body which is independent of the producer or supplier and which conducts a priori or a posteriori controls on the products or services which carry the label
  - Is in accordance with a transparent catalogue of standards which is officially recognised by the public authorities and submitted for controls to a body accredited by the public authorities
  - Is easily identifiable and comprehensible to the consumer
  - Gives clear, unambiguous and precise information on the added value”.

However, faced with possible confusion, fair trade lacks a single label which could be guaranteed by the state. This aspiration to a stricter specification of standards which would enable a clear line to be drawn between fair trade and ethical trade is being demanded by fair trade actors in the North, both traditional actors and supermarkets. The latter, particularly Delhaize, are none too happy to see the efforts they have made for fair trade undermined by the appearance of this competition. However, this aspiration comes up against a number of difficulties.

National social certifications are difficult to obtain and/or bring little result. In France, after three years of work with fair trade actors who had some difficulty concurring, AFNOR (the French Standard Specification Association) arrived at an agreement with these actors on the presentation of fair trade processes. A legislative draft was launched in parallel, which resulted in the law of 2 August 2005, for which the implementation decree is in preparation. This law refers more broadly to the area of sustainable development, and focuses on the organisations which could be recognised as ‘fair’ and not on the products, as well as organising indication controls (cf. table 2).

<table>
<thead>
<tr>
<th>Table 2: Law of 2 August 2005 (France)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 60</td>
</tr>
<tr>
<td>I. Fair trade is a part of the national sustainable development strategy.</td>
</tr>
<tr>
<td>II. Within commercial, craft-related and service activities, fair trade organises trade in goods and services between developed countries and disadvantaged producers in developing countries. This trade aims to establish sustainable relations with the effect of ensuring the economic and social progress of these producers.</td>
</tr>
<tr>
<td>III. The physical and legal persons who monitor respect for the conditions outlined above are recognised by a committee, of which the composition, competences and criteria for recognising the aforementioned persons are defined by a Council of State decree.</td>
</tr>
</tbody>
</table>


In Belgium there have been no attempts at official fair trade certification, but the situation of disagreement between those involved was rather similar to the French situation until very recently, when all the new ethical labels appeared on the market. Fair trade actors are now forming a bloc against the joint competition. Francisco van der Hoff (2005), a worker-priest in Chiapas who founded Max Havelaar, reveals his concern in his latest book: “Today I am concerned for the future of this trade, because the multinationals are trying to sow confusion by offering ‘ethical labels’, products which purport to come from sustainable agriculture, or whatever it might be. But it is important to see that what the multinationals label as sustainable is not, either for the producer or for the earth”. This is why, as Bisaillon et al (2005) point out, for those currently involved in fair trade “the issue now is to distinguish ‘true’ fair trade – originally developed by fair trade organisations with the aim of empowering the most marginalised producers – from ‘fair trade light’ products, which have appeared

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since the entry onto the market of “responsible” multinationals and other ethical labels which threaten fair trade”.

In the same way, an attempt to create a framework for ethical trade by the creation of a Belgian social label demonstrates the difficulties of this kind of undertaking. Initially designed to guarantee centres of production, the version voted through in the parliament only concerns guaranteeing products 31, and it is expensive (users must cover all the costs of certification, including the travel costs for certifiers to the South). Finally, “at the moment it is only applicable to Belgian products, that’s certainly a matter of concern” (Distributor, 2004). The BTC is working on this issue, on which a comparative study of the different systems has been conducted (Huart, Heyde, De Backer, 2006).

At European level the demand for recognition of the definition of fair trade principles and organisations, as developed by the fair trade movement, is among those repeatedly addressed to the European Commission (see for example FINE, 2005a). Although the European Commission finances numerous projects linked to fair trade (30 million euros in 2002 for 66 projects) and recognises the contribution of fair trade to sustainable development, Pascal Lamy, then Commissioner for Trade, laid out the limits of their possible support for fair trade in 2004:

“If we go too far down road of instrumentalising the fair trade movement to serve our public international policy objectives of promoting sustainable development there could be a risk of breaking the international rules or of making special favours to one set of private actors over another. To avoid doing so is also a matter of internal competition considerations. For fair trade is not the only player on the field. Many companies and private sector organisations are now developing their own codes of conduct relating to labour issues, human rights and the environment, as part of their implementation of corporate social responsibility, or CSR. These codes may in some cases be less ambitious, in some ways they may score more highly than individual fair trade products against specific benchmarks. Whatever their nature, they too have the potential to increase the number of producers which benefit from improved conditions” (Lamy, 2004).

However, Lamy stressed at the time that given the wide range of initiatives and their complexity, various Commission services were looking into the issue of the Commission’s participation in drawing up guidelines for social and fair trade labelling. The matter does not seem to have been conclusively dealt with, as shown in a speech by Peter Mandelson, the current Commissioner for Trade, in June 2005, where he underlined the need to assess whether a fair trade standard was required (Mandelson, 2005).

The weight of commercial constraints therefore influences FLO/Max Havelaar in negotiations for the standards on which certification will be based. The shift in Max Havelaar, which has gone, as we have previously seen, from NGO status to that of a private company which must make a profit to survive probably has an effect on this situation. In fact, Max Havelaar appears to be opening up all points which are not at the ‘heart’ of the solidarity referential to negotiation with its clients: the environment, processing etc. Conversely, the normative principles of the referential such as the creation of producer organisations which should become independent or the payment of a fair price are not called into question. However, their placement within an approach of monitoring against a standard undermines the very negotiation process which enables the integration of organisations from different cultures, as we will see below.

31 Which could open the way to the organisation of dual lines of production within enterprises: one ethical and the other not.
3.5. **Risk 1: Specific standards tend to reduce the personalised nature of relations between producers and consumers**

Although in the focus groups conducted the consumer confidence in ‘fairness’ is expressed in terms of NGOs and certain brands, it is also linked to the existence of the most direct and personal link possible with the producer. The value of this link is expressed differently depending on the consumer’s referential.

For those who place themselves within political reference values, it is based on a critical analysis of fair trade intermediaries. The reduction in the number of these middlemen means that we know from whom we are buying, which one participant called “personalising the vendor”. For those using the aid referential, this “personalisation” is also based on the personal positive benefit which we gain from doing a good deed. This is a question of imagining or, even better, seeing the positive impact of the aid given. This phenomenon is particularly prominent among volunteers (Le Velly, 2004). For non-consumers who distrust any organisation or institution, the direct link is the one and only link worthy of confidence, and some even expect the trade to be a two-way road; it is a question of direct aid to identifiable people: friends, disadvantaged families from their immediate circle, for which thanks are expected.

This perception has consequences for the construction of confidence, which is also attributed to all vendors which allow a semi-direct link between producers and purchasers: Oxfam Magasins du Monde shops, and also markets. By extension, any product bought from a market in the South, while on a trip, is also a fair trade product, along with any direct relation with a person from another country (“It’s Africans or South Americans who sell things on the markets”) or any producer or craftsperson, even European ones, since consumers imagine that such people must by definition be selling in the most beneficial conditions.

Organisations which are attached to the solidarity referential have fully understood the importance of this personalisation. A unique feature of fair trade is that it brings the image of the producers in the South to the eyes of consumers in the North, attempting to break down the screen that is usually put up between consumer and producer (Hughes, 2000) and maintaining a relationship between them even across long distances (Whatmore and Thorne, 1997; Raynolds, 2002).

The consumer/producer link, which is obscured in conventional trade, reappears in fair trade. It is depicted in the shops, where we find explanatory brochures and photos of producers (smiling), explanations from vendors who are in a position to recount the story of a product, and packaging which explains a part of this story. The opportunities for doing this are much reduced in supermarkets, where there is less space available for communication. Specialised shops such as Oxfam Magasins du Monde or Citizen Dream therefore enjoy a competitive advantage in this area.

Other forms of distribution can only refer to the relationship with producers on the label and packaging or, very occasionally, on the display. However, labelling contributes less to this relationship.

As Goodman (2005) shows, the depersonalisation of the producer/consumer relationship is symbolised by the graphic developments to the Max Havelaar logo, in which a depiction of a producer disappears, to be replaced by a stylised pictogram (Fig.3).
Figure 3: Old and new Max Havelaar logos.

Analysis of the information communicated on the packaging enables us to observe the same shift: information on the producers, although still present, is reduced (e.g. even if sugar comes from a fair trade source, this is not mentioned) to leave more space for information on controls and quality (we will come back to this latter aspect in the next section). This reflects a shift in the presentation of processing conditions towards a product which is in line with the linear integration of fair trade products. These products are entering into competition with an equivalent quality/price position (pure or high grade cocoa, for example).

Let us compare, for example, the statements given on the packaging of Oxfam Magasins du Monde chocolate:

“The cane sugar and cocoa are bought at a fair price from producers in the South. The cane sugar comes from Costa Rica (Coopecañera). Farmers work together in a cooperative and produce sugar cane and other food products for the local market. The price paid by Oxfam Fair Trade enables the farmers to live in dignity. The cocoa comes from the Ghanaian organisation Kuapa Kopoo. It organises and strengthens small-scale producers and guarantees them training, support and fairer prices. For chocolate containing nuts, we use organic Amazonian nuts from the Cooperativa Campesino in the virgin Bolivian forest.”

and those from a Max Havelaar-labelled Delhaize chocolate bar:

“To produce this chocolate bar, Delhaize sought out the best cocoa beans in the world: the Arriba cocoa bean. The beans have been cultivated with care by small-scale producers in a cooperative in Ecuador; the Max Havelaar label assures these farmers a decent purchase price to enable them to improve their living and working conditions. The MH organisation carries out monitoring on the application of fair trade”.

However, some of the manufacturers using the new labels have fully understood the personalisation stakes and use images of producers across the whole of their packaging as well as on their websites, with warm colours and images (with the exception of Fair & Free) which are evocative of the South, e.g. Colruyt (Fig. 4) and Jacques Vabre (Fig. 5). The former also uses the names of places of origin (Kwahu, for example) on the packaging, which opens the doors to a construct of quality incorporating the idea of territory of origin, and creates competition with the Delhaize bars bearing the Max Havelaar label, which stress the quality and origin of the cocoa beans.

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32 Text from the inside of the packaging of Oxfam Magasins du Monde chocolate bars sold by the supermarket chains GB and Colruyt in Belgium.
Conversely, Oxfam Magasins du Monde uses less personalised packaging, where the producers only appear on the sides of the packet (Fig. 6).

The ethics-related competition is played out not only using the labels, but also using all available communication devices. Fair trade organisations have not yet come up with a commercial response to this game: all of their communication codes have been taken over and Max Havelaar itself has adapted to a more impersonal code.

3.6. **Risk 2: Consumer trust as the basis for fair trade**

Returning to the consumer side of things, we can identify another risk. Fair trade benefits from a positive image of its basic principle. None of the consumers asked questioned the principle, even if some of them had doubts either about its feasibility on a larger scale (i.e. conventional trade would not allow an increase in the power of fair trade without reacting), or its impact, sometimes judged to be too minor given the dimension of the problems, or its seriousness. It is therefore credibility which is at stake. This is achieved by constructing or consolidating trust. Fair trade in fact owes its credibility less
to the intrinsic quality of the products and more to the commitment of the actors involved. “Their reputation is on the line if they lie”. Hence, for the consumer, fair trade rests less on standards and controls about which they have little idea, and more on the confidence created by organisations’ way of working and way of ‘personalising’ the relationship with producers.

Perception of fair trade close to that of ethical trade.

As we have already mentioned, the definition of fair trade is not a precise one in the mind of consumers. Conversely, Defourny, Poncelet and De Pelsmacker (2005) talk about good knowledge of the concept of fair trade, albeit supplemented by elements of corporate social responsibility or environmental aspects. The SONECOM/BTC survey also gives positive results, as 61.8% of those surveyed who had heard of fair trade gave a correct definition (SONECOM, 2005). In actual fact, everything is of course dependent on which definition you refer to. For example, the BTC survey considers as a sign of good knowledge any response mentioning any of the following: a fair price for producers in the third world, better conditions for small-scale farmers, fair exchanges between the third world and industrialised countries, direct purchasing from farmers with no intermediaries, or a concrete alternative for sustainable development.

In our case, we decided to observe how group participants spontaneously reproduce the normative principles of the solidarity referential, in particular:

- a fair price
- a premium managed by a collective organisation of producers with the aim of enhancing the community (financing development projects)
- a decrease in the number of intermediaries
- a long-term commitment on the part of intermediary actors towards small-scale producers
- the existence of integrated production

We therefore added nuance to the results of previous studies by observing that spontaneous comprehension of the concept of fair trade is of better revenues for producers in the South by means of fewer middlemen, better distribution of profits, and above all, the payment of decent salaries. The concept of a fair price as understood by fair trade organisations almost never appears. Comprehension of fair trade often also incorporates ethical criteria (e.g. the absence of child labour). The basis of ‘fairness’ is seen as a better salary which will allow producers to send their children to school, for example, or improved working conditions.

To the spontaneous comprehension that we observe, we should add possible developments and, in particular, a tendency to integrate issues associated with globalisation, as we have previously described. Irrespective of group, the participants have great difficulty talking about the concrete implementation of fair trade.

On the subject of the normative principles linked to the way in which producers are organised, participants mention the following, in more or less detail depending on the group they belong to:

- **Craft-type work**, (as opposed to industrialised work) but increased income will push the craftspeople to buy new machinery, so when all is said and done, participants do not think that fair trade craftwork is necessarily produced by hand. It can be semi-industrialised.

- **Work within a community**, which is seen in terms of working together as opposed to individual work, work in a group (village, clan or family) and, more rarely, some form of organisation (cooperative, kibbutz). This is, therefore, more a perception of the way work is organised (working together, in the same place) or the social form (a village community) than a more formally precise

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This qualitative result of course poses the question of the size of the sample (36 people vs. 600 in the BTC quantitative survey, for example). Conversely, it also poses the question of the methodology employed for the quantitative surveys, particularly the interpretation of spontaneous responses (are responses such as decent salaries, good prices, better profits etc. part of a correct response for the “fair price” criterion?) for their encoding and therefore the interpretation of consumers’ real comprehension of the concept of fair prices. Finally, there is the question of the impact of criteria of the “choose one response” type: fair trade corresponds to several criteria.
concept of production (as being a cooperative or a producer group, which are concepts that few people refer to).

- **These communities receive aid from Western NGOs** which will enable them to export. These are NGOs which are involved in the fair trade initiative. They will support producers and may even play a federative role for producers who are isolated in small villages, but such producers are not seen as having sufficient organisational capacities or the capacity to manage development projects. In this respect, the concept of fair trade is seen as a concept from the North. Development projects and the concept of long-term commitment are only seen among Oxfam Magasins du Monde volunteers.

- **Organisations which produce ethnic or exotic products.** The danger here is that various aspects are integrated, which means that some participants consider objects brought back from holidays to be ‘fair trade’.

Consumers’ perceptions of fair trade are therefore ambiguous and sometimes vague, but their demands nevertheless correspond to fairness criteria which waver between fair trade and ethical trade. The fair trade debate is gradually opening consumers up to the issue of relations between the North and the South, but this is expressed as much in terms of development as in terms of relocations. The haziness of these perceptions also opens up the possibility for actors from the North who want to work in an ethical framework without adhering to the solidarity referential. These ambiguous perceptions can be interpreted as ignorance of fair trade, but also as the margin of tolerance that consumers afford to intermediaries that they trust.

Consumer confidence seems to centre on names and brands, rather than the product. Thus:

- Confidence is attached to the names of organisations which are perceived as being involved in positive social and/or charitable work: Oxfam Magasins du Monde, and also various NGOs such as Greenpeace, Amnesty International and Iles de Paix. These names on products take on the value of a brand. Hence people buy Oxfam Magasins du Monde rice or a Greenpeace T-Shirt.
- Anything sold in a shop seen as part of “alternative” distribution benefits from positive perception in terms of ‘fairness’ e.g. products sold under the brands Séquoia and Bioshop and also products sold by Nature et Découvertes.
- When it comes to the products themselves, confidence relates to the brand or a ‘fair trade’ mention. The pictogram of the Max Havelaar label is not widely recognised, which is consistent with the awareness analyses already mentioned.
- The conditions of consumer trust also appear indirectly through the criticisms addressed to Oxfam Magasins du Monde by some consumers and non-consumers of food products: the lack of transparency of the channel, and likewise a lack of accounting transparency. In this respect there is a possible link to French fair trade labelling initiatives such as Transparent Trade, launched by the French fair trade organisation Azimuts. This initiative aims to achieve complete price transparency and thereby allow consumers to understand the margins and, by default, the position of large-scale distribution.

We are, therefore, in a situation where consumer perception of fair trade relates back to a certain number of ethical rules, whereas consumer trust encompasses any kind of NGO as well as the producers and distributors, as long as they demand that products are ‘fair’. Seen against that backdrop, a loss of trust in a single actor could affect all actors involved in fair trade. This is something which we have observed at individual level where, for example, individuals no longer have confidence in Oxfam Magasins du Monde; hence, they question all NGOs. This situation also promotes confusion between ethical and fair trade products, which links up to the issue of a legal framework for fair trade already mentioned.

**Conclusion**

The extension of “fair trade” markets has a quantitative dimension which was pointed out in the introduction. But quantitative developments may also turn into qualitative developments. This is
certainly true in our case. It seems pertinent to summarise the processes involved in order to be able to get a grip on the issues they reveal.

**Processes: developments and changes**

The extension of markets – be it a fact or something which is anticipated by entrepreneurs – takes place through a number of processes which shore each other up to create what we could call a new fair trade system.

‘Fairness’ as a quality criterion was indeed constructed within a particular trade system. From a normative point of view, it was a system of negotiation between partners committed to the solidarity referential, a system largely based on relations of commitment and trust, with a view to breaking (charitably or politically) with the dominant form of trade relations. From a trade point of view, this gave rise to a series of contractual and highly segmented ‘markets’ depending on country, product and organisations. This system was therefore not very competitive: it was more a question of creating protected markets alongside conventional trade.

Success has been achieved with the entry onto the conventional market of several basic products which have been able to find outlets thanks to joint action between coalitions of NGOs and the involvement of large-scale distributors, who have strategically and also morally built on this niche, without necessarily implicating the referential or the role of NGOs.

The period which has been the subject of our analyses goes beyond this. It sees the appearance of new commercial actors, bringing with them product quality demands; the appearance of yet more new commercial actors who build on less strict definitions of fair trade; fair trade associating itself with other criteria (organic, ethnic etc.); and it also sees the subsequent appearance of less informed and less demanding consumers who create an appeal for the development of new networks.

A qualitative breach therefore ensues in economic terms: fair trade product networks are no longer only in competition with conventional trade, but enter into competition with each other (because of their involvement in conventional trade). This creation of competition tends to reinforce the diversification of networks, which specialise and make themselves distinct, leading to the development of marketing. The fair trade market is no longer a segmented one; it is becoming a competitive market with competition between multiple actors.

Our hypothesis is, therefore, that this creates a new fair trade system. In economic terms, the fact of becoming competitive reduces the contractual and negotiated aspect in favour of a system of more complex transactions where more specialised actors are involved. Diversification hereby creates market uncertainty, for example with regard to processed products, convergence of judgement criteria, the viability of partners, etc.

**Issues: dilution and specification of standards**

One of the major effects of these qualitative changes consists in forms of what we have called the surpassing of standards. This phenomenon is no longer stable and is linked to several things, among them (1) the appearance of actors who seek to benefit from the fair trade label without actually associating with the basic normative principles (2) the emergence of situations which the standards are not equipped to cover, such as aspects of industrial processing.

This surpassing of standards could create a fear among some actors of what we could call the dilution of fair trade; a dilution which could take several possible forms, i.e. the confusion born of multiple labels, absorption by ethical trade, an insipid and ‘commercial’ form of fair trade or a lack of distinction from other quality standards such as organic.
In fact, these different forms in which the standards are being surpassed have in common the abandonment of some of the normative principles of fair trade. They tend towards distance from the political, activist dimension of fair trade and therefore give the impression of a kind of renunciation. They generally tend towards transforming the basic referential and the key idea of trade aiding development into a vision which makes integration into commercial trade the criterion of development.

Faced with this inadequacy in the current framework and the risk of dilution, there arises the idea of specification of the standards of fair trade, i.e. a translation of the normative principles of negotiation into technical and verifiable standards which govern the labelling of products. This new fair trade scheme would be more of a prescriptive market.

But these competitive prescriptive markets have their own demands, i.e. a certain uniformity of standards, specialisation of activities (and particularly independence of monitoring), more short-term contractualisation and the development of marketing: markets in the North are being reorganised on this basis. Such structural changes in the means of entry into the fair trade sector cannot fail to have consequences for actors in the South. This is the issue which will be explored in the following chapters.
Chapter 2:
Specificity and diversity in fair trade dynamics in the South

Introduction

Different pieces of research into fair trade (notably Mestre, 2004; Hopkins, 2000; Cary, 2004) emphasise the differences which exist between the practices and dynamics of fair trade actors in the North and South, and also across the different continents and countries of the South. These differences are a product of the local context (cultural, social, geo-political), but also of the fair trade products considered. As we saw in the first chapter, shared values and beliefs within the system of solidarity referential have enabled different worlds to meet and establish exchange through fair trade. But how is this normative and cognitive foundation translated and reinterpreted in cultural contexts as diverse as Bolivia, Cameroon, India and Peru? What approaches to action appear in the discourse and activities of actors from the South which are not found in the North? Under what conditions can we preserve the diverse, yet specific nature of dynamics in the South?

The aim of this chapter is to show, based on our case studies, that fair trade organisations develop different approaches and dynamics in the South. The way in which the fair trade solidarity referential are interpreted is linked to both the different cultural contexts which are specific to each country and the approach to development, which can vary from one organisation to another. In fact, organisations develop their own analysis of development needs and of the empowerment needs of men and women. We will see which other non-market approaches are at work in the South within the organisations encountered, and also these organisations’ individual perception of the normative principles of the solidarity referential, particularly with regard to basic social organisation and the approach to a ‘decent price or fair price’. Finally, we put forward the hypothesis that the existing diversity in the South can only be maintained through North/South and South/South negotiating relations, which the specification of standards would undermine.

Our case studies are focused on an analysis of the discourse and practices of organisations which are part of the fair trade network in India, Cameroon, Bolivia, and Peru.\(^{35}\)

In India, we worked principally using information gathered from Agrocel, Shrujan and Kutch Mahila Vikas Sangathan (KMVS), three organisations based in the Kachchh region in the state of Gujarat. Agrocel is a private company involved in training cotton producers and marketing their products while at the same time providing the materials they need. Maikaal Rajlakshmi Ltd weaves and stitches clothing with cotton bought from cooperatives of small-scale producers in the region surrounding Indore. Shrujan and Kutch Mahila Vikas Sangathan (KMVS) are NGOs whose aim is to improve the life of women from tribes living on the border between India and Pakistan. Asha Handicrafts is an NGO which trains small-scale craftspeople in Southern India and markets their products.

In the case of cocoa, we worked in Cameroon with Macefcoop, a cooperative which groups together several hundred producers, and in Bolivia with El Ceibo, a cooperative from the southern Yungas region which is controlled entirely by the producers and which has a collection and drying centre in Sapecho (southern Yungas) and a processing and marketing plant in La Paz.

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\(^{35}\) A description summarising each of the organisations involved in the research can be found in the annex.
For handicrafts, we worked in Peru and Bolivia in rural and urban areas (in the La Paz and Sucre-Potosi areas of Bolivia and in Lima, Ayacucho, Puno and Cuzco in Peru) with organisations from different levels: grassroots organisations and umbrella organisations. We use the term ‘umbrella organisations’ to describe second level organisations which represent several grassroots organisations (which bring together individuals) or several rural communities. These umbrella organisations generally aim to assist with marketing and training, but may also be involved in defending the sector and sometimes even broader lobbying and campaigning activities on various political issues. To illustrate our observations, we principally worked with the following umbrella organisations: in Bolivia: Qhantati, ComArt, El Molino, Inkapaya and the NGO Azur; in Peru: la Central Interregional de Artesanos del Perú (CIAP), MINKA and Ayniart.

1. Fair trade is not just about economic development

As in the North, organisations involved in fair trade in the South do not form a uniform whole; each has its own values, beliefs and normative principles which are connected together within the solidarity referential. Although these organisations reinterpret normative principles based on their own culture and political and social vision, as we will see below, their approaches to action are also different. In particular, these approaches are based on an analysis of development needs which is broader than the merely economic. Hence in the various organisations visited we have encountered training spaces with social or cultural aims, and also the development of other development strategies outside of fair trade, from developing access to water in India to political struggles against the FTAA in Bolivia and the empowerment of women in both Latin America and India.

1.1. Organisations are involved in other local development projects/programmes

Although this is not the case for all the organisations, some are involved in projects which go beyond the issues of fair trade because they are linked to issues of community development. For these organisations, therefore, fair trade is part of a general vision of development, meaning the general development of a region or the independence of the producers, of whom they form a part and for whom non-market training organised by organisations in the South play an important role.

Taking account of regional needs

- Access to water, a key element in development for Shrujan and Agrocel

Agrocel’s activities are heavily influenced by the conditions of local development and, in particular, by a vision of development which accords a key position to access to water.

In the Indian province of Gujarat, the low levels of rainfall (we heard of 3 monsoons in the last 10 years) combine with rising soil salinity levels caused by the rising water levels of the Arabian sea. This is increased by the uncontrolled use of groundwater (Sir Ratan Tata Trust, 2004). The level of the water-table has gone from 15 to 150 m deep and the quality of water samples is decreasing (Rijsberman, 2001). Cotton and castor beans, which cope well in salinated soils, are therefore sometimes the only crops which can be grown (Audet, 2004), but cotton requires water. The vicious circle is complete: living conditions are deteriorating in Gujarat and more particularly in the Kachchh region. Drought is pushing producers towards cash crops, as opposed to food crops, destroying complementary forest resources (honey, rubber) which could be derived from other natural sources, cattle no longer have food, increasing the demand for water and the cost of living: a study shows that the cost of water is 7 INR36 per litre, compared to just 4 INR per litre for milk (Ramachandran and Saihjee, 2001). Gujarat is a state where 20% of the rural population live below the poverty line, if you

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36 1 INR = 0.01769 €
use the ratio of 1800 Cal per day (Deaton, 2003). If you increase the ratio to 2400 Cal, 80% of the population live below the poverty line (Jaya, 2003). Areas in the border region, thought of as the tribal areas, seem to be even less favoured: animal rearing, which is the main activity, is becoming increasingly difficult, and the soil no longer produces very much of anything.

Water has therefore become a strategic element for agriculture. Interest in irrigation is high among farmers: production per hectare is strongly influenced by the availability of water, often doubled. Cotton is no exception to the rule. During our visit to Gujarat, farmers in irrigated areas were able to achieve yields of organic and fair trade cotton from 800 to 1000 kg/acre37, whereas the yields for farmers cultivating pluvial cotton in arid areas barely reached 70kg/acre. Pumping of the water-table or rainwater reservoirs is limited by energy rationing: electricity is often only available at night. Irrigation also represents 80% of water use, putting industrial usage and food production in competition (Richard, date not given).

Therefore there is a need to improve access to water but such access must be managed rationally. Thus, Agrocel is working on “water-harvesting” with an NGO, Vivekan Research & Training Institute (VRTI), which helps farmers to construct rainwater reservoirs, irrigation channels and wells.

In the same sphere, Shrujan and KMVS have realised that improving incomes for women is not enough and that there is a need to look at things more broadly, in particular by giving priority attention to the issue of water. For example, Shrujan is now working in collaboration with the VRTI and, in the final stage, is becoming involved in an integrated sustainable development project in the Lakhpat region. This kind of problem is also seen in Latin America where, for example, El Molino, an organisation linked to the church in Bolivia, is supporting water supply projects. This involves kilometres of channels, generally made of concrete, which drain water for human consumption and agricultural use. They are constructed using community work (the Minga), members of the community supply the workforce and the church finds funding for the materials required.

- **Supporting health and education**

Most of the organisations encountered set up other activities to support development, which they believe cannot be achieved without rural, sanitary and educational development, etc. We include several examples below to illustrate this:

- Macefcoop in Cameroon is involved in programmes combating the HIV/AIDS pandemic, dealing with diarrhoeal diseases in children and combating malaria by making impregnated mosquito nets available at reduced prices. These community health programmes are carried out with the participation of the local authority health centre.
- Shrujan and KMVS in Kachchh in India are involved in medical assistance programmes particularly concerned with the health of women and children. Paramedic staff visit villages once a month, and can summon a doctor where necessary. On the issue of schools, a programme to improve teaching quality is currently being run by Shrujan, while both organisations are trying to develop microcredits.
- In Bolivia, support for the health and education sectors can be found in several organisations. For example, El Ceibo devotes the profits of fair trade to creating a social fund, designed to respond to health needs (support for buying medication, contributions to the costs of hospitalisation and/or for doctors’ visits, as well as funeral costs). The fund also supports training for young people through a grant system. At the same time, El Ceibo is offering training to its members according to their needs; there is a specific programme for women. Another example is that of El Molino, which alongside its craft-related programmes, trains health, agricultural and veterinary promoters, and Muñeca, which offers women in rural areas literacy, food safety and family and infant health courses etc.

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37 1 acre = 0.40 hectares
Increasing producers’ autonomy

In many countries, single-crop farming means that producers are completely dependent on international markets. This is the case for cocoa producers in Cameroon and Bolivia, and for cotton producers in India. The lack of market outlets at a price that covers production costs has contributed to a decline in the producers’ economic and social positions.

In West Africa, the problem goes hand in hand with changes in the way the sectors are organised. For cocoa, for example, deregulation has meant that the state is no longer involved in the sector. It no longer sets minimum prices. Transporting harvests to the ports and looking for clients in the North are no longer undertaken jointly with the major cocoa companies, which have been forced to wind down. Producers therefore have to organise in order to deal with this side of the business and now face the full impact of price variations on the international market. The cooperative Macefcoop is one initial form of organisation in response to structural changes in the way the Cameroonian market is organised. Participation in a fair trade network guarantees better sales conditions: prices, long-term contracts, pre-financing, etc. In a way, it can be said that the network for fair trade between North and South is a substitute for the old state network and provides producers with the same kind of stability needed for development. “We had a lot of problems when the state abandoned everything, now with fair trade we are living once again because with the bonus we can take good care of ourselves and send our children to school” (Cocoa planter, 2005). Nonetheless, the issue of dependence on a single crop remains. That is why Macefcoop is developing a parallel programme for crop diversification in order to spread the risks associated with the international commodities market. Macefcoop is boosting autonomy on two levels, the level of individual producers and the level of the cooperative. At producer level, the cooperative prefinances village banana and pineapple plantations. These plantations are managed by the community because they are the shared property of cooperative members belonging to the same village. At cooperative level, the crop diversification programme mainly involves palm oil.

Similarly, in Bolivia, the El Ceibo cooperative is developing other crops alongside cocoa (bananas and citrus fruits, inter alia) in order to diversify sources of income and reduce dependence on cocoa as a single crop. Climate conditions in the region favour fruit growing, but the problem is that a large amount of fruit perishes in the fields because of transport difficulties in this landlocked area. El Ceibo is also attempting to develop a new programme that aims to process fruits on the spot, turning them into juice or jam.

A similar initiative by AGROCEL promotes the use of local resources: cotton varieties, crop rotation (purchase of crops rotated with cotton), use of local plants for their phytosanitary properties (construction of a neem oil mill for example), use of cotton seeds and poor quality cotton for compost, etc. AGROCEL is a business run according Gandhian principles and considers village autonomy (through cottage industries) to be crucial in the fight against poverty. Gandhi was an advocate of producing and processing goods at local level. This allows transport costs and a variety of income-reducing taxes to be avoided. Only production surpluses that cannot be used at local level need be sold. “The revival of the village is possible only when it is no more exploited. Industrialisation will lead to passive or active exploitation of villages... Therefore we have to concentrate on the villages being self contained – manufacturing for their use” (Gandhi, quoted by Ajgaonkar, 1995). Since for many poor farmers the way out of poverty is through the ability to borrow, AGROCEL either acts as a guarantor for loans obtained from banks or lends the money to producers itself, thus allowing them to avoid the usurious interest levied by moneylenders.

38 On the international market, the price of fair trade cocoa is higher than the international price but fluctuates with the market, though without passing a minimum level of 1,600 USD/MT. Hence, when the international market price is below 1,600 USD/MT, the minimum fair trade price is 1,750 USD/MT (as the social premium is 150 USD/MT). When the market price exceeds the minimum level, as it did at the beginning of the 1980s, the minimum fair trade price becomes the international market price plus the social premium (Nicholls and Opal, 2005: 46).

39 A study of the feasibility of this project was being carried out in 2005.
1.2. **Fair trade is in line with development thinking and concepts of cultural identity that are specific to the South**

This diversity of development practice is in line with development thinking and the specific cultural perceptions associated with each context in the South, from the principles of Gandhi in India to the affirmation of Andean cultural identity in Bolivia and Peru.

**Autonomy based on Gandhian principles in India**

The case of AGROCEL mentioned above cannot be reduced to the introduction of fair trade into other development programmes. The entire activity of the business is inspired by Gandhi’s philosophy, which promotes independence from the colonising country and, by extension, from other countries: “Every one of us who buys a certain article has the power to direct its production in a certain channel. When we buy something in Japan, we are directing production towards Japan and we are creating unemployment in India. Therefore every one who buys has a moral responsibility to see that the way he spends money does not impoverish our country” (Kumarappa, 2003) and by non-violent action. Seen from this angle, the green revolution inspired by Gandhi in the 1950s to promote food independence is achieved through villages becoming autonomous as described above, but also through the following:

- **The notion of trusteeship:** Trust must be promoted as a form of commercial and industrial activity in which production is determined by needs and not by a desire to enrich oneself. This is a criticism of capitalism but also a non-violent way of facing it that insists on the moral responsibility of owners of the means of production vis-à-vis their employees and their business. Proprietors are responsible for the community and must manage assets in a manner that takes account of the general interest. AGROCEL takes a 7% margin when products are sold. This is immediately reinvested in the business and managers have a very simple lifestyle.

- **The importance of education:** involving learning and doing at the same time in order to prevent civil servants and decision-makers from becoming too far removed from reality and the needs of the population. Education is also a way of combating the low status of women and reducing violence. “But it must be realised that reform cannot be rushed. If it is to be brought about by non-violent means, it can only be done by education of both the haves and have-nots. The former must be sure that there will be never force used against them. The have-nots must be educated to know that no one can really compel them to do anything against their will and that they can secure freedom by learning the art of non violence i.e. self suffering.... An atmosphere of trust and mutual respect has to be established at the preliminary step. There can be no violent conflict between the classes and the masses” (Gandhi quoted by Narayan, 1946)40.

The managers of AGROCEL were raised in schools founded by Gandhi and run according to his principles. AGROCEL is the official cotton supplier to the Gandhi ashram and its director has received a prize awarded to the former pupils deemed best to have followed its principles. AGROCEL provides technical consultants free of charge and organises regular meetings of farmers in order to discuss the price of cotton and any problems encountered. The goals of fair trade - the development of farmers’ autonomy and the strengthening of capacities through education - were thus fully integrated into the Gandhian culture of AGROCEL. AGROCEL has seized the opportunity to work according to his principles whilst helping the region to develop, and has enrolled in the fair trade network with the support of Oxfam Magasins du Monde.

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40 As pointed out by Jaffrelot (2005), Gandhi’s vision aimed to strengthen Indian unity in the struggle against British colonialism, but it was also founded on a traditional vision of Hindu society where the four main castes (varnas) form the basis of society (warriors, brahmains, craftsmen and servants) and give everyone a social calling, thus making society harmonious. However, Gandhi always opposed hierarchies and subdivisions within these castes.
An affirmation of cultural identity

Craftsmanship is by its very nature linked to culture. Littrell and Dickson (1999) thus prefer to use the term ‘cultural products’ in order to include both handmade products and those produced mechanically.

Various fair trade crafts organisations in the South focus on this cultural dimension, inter alia through specific programmes for the conservation of culture. Shrujan in India has set up a whole programme to conserve the regional culture through a vast survey of the embroidery stitches and patterns that exist. This was done through the organisation’s supervisors, with help from travelling designers and by employing a museographer specialising in embroidery. The idea was to create a design centre on wheels that could travel both to meet tribes and collect their knowledge and also to show them the skills of others in order to reinvigorate their creativity. The project will soon be complemented by a museum, for which Shrujan has already acquired a site. In Bolivia the NGO Azur is also conducting ethnographical and historical work into ancestral symbols and designs. Amongst other initiatives, museum-shops have opened: one at Sucre (set up by Azur) and another at Tarabuco (a village that is very popular with tourists) set up by Inkapaya (which is wholly owned by producers). In addition, ComArt has opened a showroom at La Paz for traditional craft products.

Looking beyond these specific cultural conservation programmes, a variety of organisations in Bolivia and Peru see crafts as a means of affirming their cultural identity vis-à-vis the outside world. This affirmation of Andean identity is given form by the objects produced using weaves that are specific to each region and/or each ethnic group; designs that represent important moments in community life, the relationship between humans and animals or the environment; the use of natural sheep, llama, vicuna or alpaca wool, or the use of dyes made from natural plants.

1.3. Fair trade, a means for the empowerment of women

Empowerment of women in organisations’ philosophies

Although the issue of gender equality does not play a role in all the organisations, our work on the ground has brought us into contact with organisations whose raison d’être is the empowerment of women. These organisations use crafts as a means of social and economic development and see fair trade as one of the means available to them to bring this about. Two examples are Casa Betania in Peru, which was created to improve the self-esteem of women in marginalised areas (“social cases from the people’s canteens”, “from households with multiple problems of physical and psychological violence, lack of money and unemployed husbands” (Caminada, 1998)), and KMVS in India, an NGO created by Indian women who themselves say they were inspired by empowerment theory. The empowerment of women is thus a central dimension, which explains how, in the case of Casa Betania, revenue generation through the manufacture of clothes did not begin until the second phase, after mental health workshops had already been running for a year. “The workshops included topics intended to foster a desire to fight for a better life and better status as women, using a variety of techniques from personal history to group therapy” (Caminada, 1998).

Where it plays a role, the focus on the position of women within these organisations can be seen in the creation of systems that allow women to participate in decision-making bodies (whether for the organisation of fair trade or in other political or social collective spaces) or through various forms of support for training programmes defined by women for women. This is the case with literacy programmes, with the creation of shops to sell essential products, and with the availability of a machine to crush manioc for the benefit of all. In order to bring about the equal participation of women in decision-making, various strategies have been adopted in each organisation:
- **Mixed representation of communities:** mixed agricultural organisations such as, for example, El Ceibo in Bolivia emphasise mixed participation in decision-making bodies. The peasants’ organisation is made up of families, and these are traditionally represented in community fora by the menfolk. This is why El Ceibo currently requires communities to be represented not just by men at the General Assembly, but by a mixed group of two men and one woman per community. This is a step forwards, but it does not necessarily mean that women hold presidency-type positions: they are often still treasurers or secretaries.

- **A system for women’s decision-making and representation at village and district level:** this is the case for communities where KMVS works in India. Women (mahila) meet in groups (mahila mandal) in each village. Each group elects one or more representatives to the district assembly (taluka): the sangathan. Each taluka sangathan is part of a federation and is represented at regional level by KMVS.

### Empowerment that goes beyond economic considerations

As pointed out above, women are particularly involved in the crafts sector. We have attempted to gain an understanding of what motivates women to participate in fair trade organisations and of how, in so doing, they increased their autonomy.

As has already been seen in previous research on quinoa growers in Bolivia (Charlier, Yépez, Andia, 2000), the incentives for women to participate in solidarity-based economic practices such as fair trade go far beyond the economic considerations associated with increases in income. If the economic project allows them from the outset to lead a life beyond their homes, then the economic incentive rapidly ceases to be their priority. They attach much more importance to the development of the social network, and of the spaces for discussion and exchange of views that develop within the organisation. They become chiefly concerned with issues connected to the goal of development, well-being and equal rights and opportunities. They also highlight that when women participate in the economy, they have to reconcile a range of constraints and family obligations, and they also find it harder to gain access to resources (money, raw materials, time, etc.) and to training and information.

Our interviews have shown that for women, fair trade organisations have above all offered them the opportunity

- **for a space for listening and respect where one feels one has dignity** (external recognition).

  In craft producers’ associations, women see the group as being first and foremost a space for meetings and for listening. Many say that they can share both personal issues and also the challenges of community life with other women in this way. They attach great importance to the social relationships they are able to develop with each other, and to the opportunity to listen and be heard that the group provides them with. They find a space to listen, to discuss problems that are sometimes of a personal nature or are linked to community life, and above all a space where they can have the courage to speak out in public. On a personal level, this allows them to increase their self-confidence in putting forward their ideas, becoming less timid and escaping from the fear of speaking out in public. It is thus that in the organisation Kuyunakuy in Peru, “women arrived with nothing, eating only bread and water in the morning, with 5 to 7 children, and not speaking Spanish”. The group and the appreciation of others allow them to develop a new vision of themselves, a positive identity, and they find a certain self-esteem and dignity. “We, the ‘pollera’ women, are afraid to speak. We always get things wrong we don’t speak very well we’ve never learned to speak Spanish properly. And we’re scared of getting things wrong. Now we’re a bit less scared, I’ve learned to speak in my organisation. It’s helped me to speak to people without being scared. I’m better at it and I have the courage to give my opinion. I like going to meetings, I feel happy there”. (Inès,

41 “Pollera” is the name given to the traditional skirts (which date back to colonisation) worn by Indian women in the Andes.
- **for a space for training.** The fair trade organisation gives women the opportunity to train, to improve their knowledge and to gain access to new methods of production (looms, sewing machines, etc.). This training offers them new opportunities. Some are able to use the training to take on new responsibilities such as management roles in their organisations. “My quality of life has perhaps not changed much, but I’ve learned to overcome my fears. Now I can discuss with professionals and I like that. I feel proud. I have a leadership role in my association. To begin with I didn’t want to, I didn’t like the idea, but the women told me that I had to go. You can’t say no...”. (Victoria, 52, marketing manager for Qhantati). This is also often the case in the Indian villages where KMVS works.

- **to increase their income.** In Muñeca in Bolivia, for example, crafts income generated by women is the only cash income in some families. This money is generally invested in the family and provides a response to problems of vulnerability, though the situation nonetheless remains one of bare survival. The money is invested above all in the purchase of essential products that are not available from local agriculture (oil, salt, pepper, sugar, medicines, etc.), in workwear (mainly for the men, as women weave their clothes themselves), school equipment and other household objects. In the villages of Mudhan and Sayara in India, women use their incomes to buy clothes and jewellery, but above all to buy vegetables and to eat regularly where food previously consisted of bread and garlic and tamarind sauce and women were accustomed to skipping meals. The fact that women have their own income allows them to gain economic status “now it’s good to have a daughter because she can earn money” (villager, Kachchh).

- **to alter their position within and around the family:** Fair trade also gives Andean women an opportunity to reposition themselves in the power relationships between men and women (whether at family, community or neighbourhood level, etc.). This claim is one that is most often heard in urban environments but we have also heard it in rural areas. Women feel that men agree to share some tasks within the family, but not yet all. They may agree to look after their children, but laundry, cooking and cleaning remain the work of women. For women, the key issue is the positive change in their children’s, their husband’s and the outside world’s perception of what they do. Firstly, however, this is not necessarily the case for all women and there is a risk of abandonment and rejection by the husband. Secondly, women continue to live in very marginal situations, and it is no truer to speak of an improvement in quality of life than it is to speak of the opposite, and working days remain very long.

- **for a social network, mutual assistance and the ability to reconcile work and family life more easily.** A fair trade organisation offers more flexibility of work and working hours than a traditional business, and this allows better management of working and family life. It is thus, for example, that the women of Sartañani in the Alto say that they are able to take their young children with them to the workplace. “The craftswomen’s organisation accepts us coming to work with our babies, and they also understand if we arrive late”. (Rosa, Sartañani, 2004). Flexible working hours were also put forward as a benefit in our interviews in Peru: “Here we work for the time we have available, it is fortunate that we are able to do this. I have my little boy so I work until 2pm, there are other workshops where this is not allowed and they work for 12 hours straight”. (Liliana, Casa Betania, 2005). Finally, involvement in a fair trade organisation gives women an opportunity to create new relationships and to support each other. In the event of personal and/or family problems they can count on their colleagues: “they have become friends, for example we can rely on each other to look after our children”. They thus between them weave a web of “social” security.

Craftswomen’s organisations thus become a place where an empowerment process can develop. However, there are nuances that mean this situation should not be idealised, since autonomy is not developing in the same way for all women. Research in Bolivia has shown significant differences
between women participating in women’s organisations (or in organisations that have a female majority) and those working in mixed organisations (peasants’ or community organisations). Even though these mixed organisations do, as we have shown, have a certain openness to problems of gender inequality and women’s lack of involvement, women feel that they have little opportunity to be heard and that it is more difficult for them to make their views known and receive respect. It can be seen that women’s organisations allow things to be learned that can then be used and developed in other, mixed-gender groups. In fact, women say that in these organisations they have learned in the group to speak in public and to develop their arguments, and that they have acquired a certain self-confidence. For some women, especially those who have taken on responsibilities within their organisations, what they have learned allows them today to participate in other mixed-gender public arenas, such as for example the local council or the management of a trade union, etc. A woman from Sartañani told us: “my father asks me to represent him because now I am better at defending our interests than he is”. Other women have told us how they prepared for the town council meeting within the craftswomen’s organisation and were then able to argue together to defend their ideas there (as the local council is normally a place where women do not have an opportunity to speak). Studies also show that the empowerment process is not the same for all women within the same organisation (whether it is for women only or mixed), since alongside the character of each woman other factors also play a role, such as education, family support (particularly from the husband), or whether she passes through management roles, etc.

Furthermore, fieldwork conducted in India in Kachchh where extremely vulnerable populations are fighting for survival shows more limited empowerment than in the Andean zone. According to women producers we met, their newfound economic status does not rebalance the distribution of power or of household tasks. Some women complain, additionally, of the attitude of their husbands, who are less energetic in searching for work now that their wives are bringing in money. In one village, women broke out in laughter when asked if the quality of their relationships with their menfolk had improved: “They always take us for granted anyway”. Situations vary greatly from one village to the next:

- In terms of financial equality, earnings are generally given to the husband, with whom the woman must negotiate if she wants to make a personal purchase.
- In terms of education, the money saved often means that boys are now able to go to college but not girls. This is due in part to the isolation of the tribes (attendance at school is in fact compulsory for girls in the State of Gujarat).
- In terms of the ability to come and go freely, the women of Atada, another village, did not feel that they were better respected by men because of their work, but they did now find it easier to move around: they were able, for example, to attend the market. They did not work for other people and they helped their husband in the fields if necessary. Conversely, in Guneri women were not always allowed to leave the village and could only go out if they were accompanied. Their situation had changed little since they had been earning money.

In the Kachchh region, organisers like KMVS say that it is necessary at each stage of a development project to ensure that men do not oppose it, and that women have to be able to analyse power relationships on the ground. It was because this had not been done that a river basin study initiated by KMVS to tackle water supply problems failed: men, who traditionally owned the land and were responsible for water management did not want to hand this over to women. A strategy of moving forwards little by little was adopted, to give skills to women in their own areas of work (biogas for cooking, cultivation of aromatic plants for use in the home, access to drinking water) whilst showing their ability to organise themselves and developing cooperation with men, who were then more easily convinced to work with women on the issue of water.

More generally, having started out by basing its work on theories of empowerment developed in the west, inter alia in the United States where the women who founded the organisation had studied, KMVS is now turning towards activities that involve both men and women because it seems clear that improvements in the position of women are dependent on problems that can only be resolved with the participation of men.
2. A different conception of the normative principles based on solidarity referential

The range of approaches in the South, together with the differing political, cultural and social background of each organisation mean that several of the normative principles based on the solidarity referential must be reappraised. There is not therefore one single model for producer organisations, nor one fair price, nor one way of managing the premium, but instead a variety of models that coexist on the basis of these principles thanks to the room for negotiation that exists within the solidarity set-up as a framework of reference.

2.1. Taking into account the most marginalised producers

At the heart of fair trade’s solidarity referential was a concern for marginalised producers. This was a very strong concern in the Andean region because of the theology of liberation, which has working with the very poor as one of its founding principles. It is thus that the CIAP was founded by a worker priest who had come to work “with the poorest people” in a peasant community in the Andes Cordillera called San Pedro de Pirca (CIAP, 2002). Taking account of marginalised producers remains an important element for a variety of organisations encountered in Peru and Bolivia, which aim to do this in the following ways:

- Different levels of groups. CIAP divides groups into three categories according to their level of professionalisation. This prevents high levels of demand, which would risk excluding marginalised producers, and allows groups to be included that are experiencing difficulties in terms of quality, schedules, and packaging. This system can also foster the development of these groups through training, systems of mutual assistance such as credit cooperatives, or by ordering from them.

- An ordering system that favours the most marginalised groups. Here, Ayniart asks its partners to give priority to a certain group. In Bolivia, in Yanapasiroxañani (which means ‘helping each other’ in Aymara), the committee responsible for purchasing products negotiates to purchase each product from the craftswoman, whilst also taking account of her situation and personal needs (and/or those of her family).

- El Molino and Muñeca work in very poor and isolated communities, and their fair crafts programme covers all women in the communities, which presents the problem that some women are unable (mainly because of their age) to meet the demands of the international market, particularly in terms of quality.

The dignity of the very poorest people is another value at the heart of liberation theology that is found in the Andean area. For the CIAP, fair trade is a way of showing that “the poor can also be competitive, form economic conglomerates, and speak to the wealthy as their equals” whilst still preserving and defending Andean cultural identity (CIAP, 2002). In Peru, where many craft producers were hit by terrorism in the 1980s, especially those from Ayacucho, taking part in fair trade gave them a new token of citizenship or, quite simply, dignity. Those who migrated to Lima told us that they could not find work because they were suspected of terrorism, since Ayacucho had been the epicentre of the violence in the 1980s:

“There was no work for people from Ayacucho. They asked us where we came from and when we said Ayacucho they thought we were going to put bombs in their houses. It was impossible for women to find domestic work. The first thing they looked at was your identity card. Now it’s different, there just isn’t any work and that’s that”. (Craftswoman from Kuyanakuy, CIAP).
2.2. The existence of an organisation representing small-scale producers

Setting up a producer organisation that allows participation in decision-making about management and, especially, the use of the premium is one of the normative principles of fair trade, although it is not mentioned as a standard in any of the published specifications, including, inter alia, those of IFAT.

In the South, some social organisations, in Bolivia for example, ascribe great importance to the involvement of grassroots organisations in the fight against exclusion. ComArt, Inkapaya, El Ceibo in Bolivia and the CIAP in Peru apply a system of direct management by producers. These organisations, which were set up on the initiative of producers (although they were supported by foreign aid), apply a system in which all members are involved in management, with responsibility taken by each of them in accordance with Andean tradition. However, this situation is not universal.

Some organisations define the community much more broadly. This is the case with Azur and with El Molino and Muñeca in Bolivia, which are trying to integrate all (or as many as possible) of the people living in the community: any individual in the community may, if he or she wishes, benefit from their development programmes. Other organisations like ComArt and Inkapaya in Bolivia, or CIAP and MINKA in Peru set the creation of an associative organisation as their main membership criterion (ComArt requires a minimum of 11 persons). “Working as a group is a condition, and this allows them to use the group to find solutions to thousands of other problems” (interview with the director of MINKA, 2005). So for MINKA in Peru, although the price does not allow the producers to escape their poverty, despite being higher than on the traditional market, working with organisations and not with individuals brings about a real change: “We are now working with the second generation. The change is immense and that is very satisfying. What has changed? These are joyful, uninhibited young people, they aren’t afraid of going to a transport agency to travel to Lima. They are used to making decisions as a group according to the peasant community model for democratic self-organisation. From a legal point of view, it cannot be said to be informal. They have a general assembly, members, an accounts book. Orders are the incentive in exchange for which we apply conditions such as the way they are organised. (Interview with the manageress, 2005).

Others interpret it more narrowly. This is the case in India with organisations that take the legal form of trusts and are managed by trustees rather than by the producers themselves (i.e. Shrujan), or are private companies such as AGROCEL or Maikaal Rajlakshmi Ltd. It should be noted that this form of organisation does not, at least in the case of AGROCEL, prevent regular consultation with producers through an assembly to discuss cultural and pricing issues.

2.3. Improvements in living and working conditions

Improving living and working conditions for members of the community is a normative principle that lies at the heart of fair trade, and which is interpreted differently according to each individual situation. It is important in this case to make a clear distinction between survival situations such as that of Kachchh in India, where access to water is an essential precondition to any other possibility of economic or social improvement, and other situations where populations are less marginalised. As we have already seen, fair trade organisations apply a variety of programmes that contribute to the improvement of living conditions for these populations via a process of empowerment.

Some organisations, however, make a direct link between some normative principles of fair trade and the improvement of living conditions. For many organisations in Latin America, as seen in the previous point, the fact of being organised in a group is a key factor for social change.
2.4. A fair price

Although the notion of a fair price is recognised as a central normative principle of fair trade, it is the subject of wide discussion in organisations in the South (especially with the management of organisations). Partners in the South (especially in Peru and Bolivia) question the term ‘fair price’: fair in relation to what? Although there may be some price increase in the fair trade sector as compared to the conventional sector, people nonetheless continue to live in very precarious circumstances. Fair trade standards talk about a price that allows the craft producer to live and support his or her family with dignity: so how can this threshold of dignity be determined?

In Bolivia and Peru, fair trade organisations are united in refusing to use this term. MINKA points out that although the price is higher than that on the traditional market, it is not sufficient for producers to escape from poverty.\(^{42}\) For Ayniart in Peru it is therefore a question of obtaining a “maximum” or “reasonable” price. For them, a fair price would be paid according to conscience, ethics and equity (for example paying a craft producer in Peru the same price as one in the North). It is, however, the fact that their pricing and order management systems are based on solidarity that is a vector of social change, because the way orders are distributed favours the most deprived groups. As for prices, 5% of the price of the product is set aside for community works and 5% is paid into a common fund for each group.

In India the price paid is fairer in comparison to the market price in the sense that the price premium paid (8% in the case of AGROCEL) allows peasants to live better but does not necessarily correspond to what producers would like (15% is seen as an ideal). Conversely, for AGROCEL, paying a fair price also means encouraging crop rotation by paying the 8% supplement for rotation crops too, unlike other organisations which pay only for cotton and are thus able to offer a higher price (sometimes by as much as 20%).

We have seen among grassroots producers in all countries that many of them do not know what “fair trade” means, and this has already been noted by other studies on the ground (i.e. Defourny, Poncelet, De Pelsmacker 2005). However, Andean producers do talk about the “fair price” that their organisations offer. For the majority of producers a “fair price” only means one that is higher than that available on the market (interview with ComArt producers, Bolivia), whereas others know the FLO definition. We should like, here, to raise a point that seems important in relation to fair price:

The concept of a fair price has allowed craft producers to learn to calculate prices. At interviews in Bolivia and Peru, several organisations highlighted the fact that the notion of a “fair price” had allowed producers to become aware of the value of a product. The “fair price” allowed them to be shown that the price of a product is worked out according to the cost of the raw materials and production costs, and includes a salary to pay the producer for their work. This concept, which may appear elementary, is not necessarily known in poor regions. In truth, for many producers, the price of a product is still often linked to an urgent need: so if the product is slow to sell it is often discounted to below its production value (a price lower than the cost of the raw materials).

2.5. Premium management

Since the premium is a normative principle only for food products, we shall refer here to cocoa producer organisations in Bolivia and Cameroon, and also to Indian cotton, as these show us a variety of situations:

\(^{42}\) Producers working for MINKA received 0.55 USD per hour of work in 2003, compared to 0.09 USD paid by traditional intermediaries. MINKA believes that a family should earn 2.37 USD per hour if it is to meet its needs in terms of food (Pareja, 2003).
• **Investment in a social fund:** In Bolivia, El Ceibo has decided not to redistribute the premium but instead to invest it in a social fund. The priorities and criteria for access to the social fund are determined and voted on in a general assembly. However, interviews have shown that grassroots producers know about the social fund and have used it but do not know how it is funded. This means that information on discussions and decisions made in the general assembly is not effectively passed on. Therefore, in general, the fair trade premium or a part of the profits is invested in a social security fund that is managed by the group. As we have pointed out, this fund means that El Ceibo can provide financial support to its members in the event of illness, and also to cover school fees or funeral costs for a family member.

• **No premium for cotton:** In India, AGROCEL’s margin of 7% means that it cannot afford to pay a “fair” price at 8% above the market price, plus a premium. As AGROCEL has moved into organic farming, the best fair trade price is used to compensate for the drop in profitability that occurs in the conversion period. This is then converted into an organic premium which remains at the same level (8% above the winter 2005 market rate).

• **Independent body to manage the premium:** In Cameroon the standard practice is for members of the cooperative to decide themselves how the fair trade premium should be distributed. A body that is independent of the steering committee, the “premium committee”, has been set up in the cooperative “to avoid misuse of the premium and to ensure fair distribution” (cooperative manager, 2005) and to deliberate on the options for use of the fair trade premium. The premium committee examines the feasibility of development projects submitted to it by sections and regions and, in turn, proposes them to the general assembly. At the general assembly, producers discuss the main problems they see and ultimately decide on priorities and, therefore, on the allocation of the premiums obtained to community projects. The objectives and feasibility of the projects are therefore fixed by the producers. We have noted that producers have no specific training in developing or evaluating the efficacy of a project. But on the other hand making somebody from outside the cooperative responsible for evaluating its economic and social projects would raise other problems, including that of legitimacy. Although the options chosen by the producers are not always the most appropriate, they do nonetheless condition their progress and autonomy. However, to prevent Macefcoop’s producers from taking decisions that would not allow the goals to be attained, the steering committee commissions more rigorous feasibility studies.

### 2.6. **Integrated, or even organic, farming**

The decision to engage in organic farming was not, in the case of the organisations studied (AGROCEL in India and El Ceibo in Bolivia), simply a response to an economic opportunity, but also a choice based on strongly held cultural values.

In Bolivia, as in the rest of the Andean area, one of the most venerated divinities is the “pachamama”, mother earth. The principle of reciprocity holds that the earth is a living being that has a relationship with other living beings, which introduces a reciprocity between the earth, which offers the means for living, and human beings, who must work the soil and redistribute its fruits among themselves (and must do so in a way that takes account of future generations) (Harris-Bouysse, 1988, quoted in Albó et al., 1989; Malengreau, 1995). According to Andean beliefs, to maintain the balance of life, a person must live under the protection of “mother earth” and respect her. This is one of the driving forces for the development of organic farming, and El Ceibo’s organic cocoa producers tell us that it puts them “in harmony with the cosmovision”.

In India, AGROCEL began participating in the Gandhian vision of an independent India mentioned earlier as a supplier of production factors. This was in line with the purpose of reducing farmers’ dependence on representatives of big fertiliser companies, whose habit was to sell to farmers, who were often illiterate “with no advice about their usage and by merchants exclusively working for one
chemical company (...) the farmers didn’t have a choice of brand and were encouraged to use as many pesticides as possible (...) even incentives such as holidays in other countries were used to convince the farmers to increase their consumption of pesticides” (importer, 2005). This goal then took the form of promoting integrated farming, and then, more recently, the use of organic methods.

2.7. Structural change in policies through lobbying

Demands for structural change in policies carried out through advocacy work only appeared in our studies in Bolivia and Peru. It should be noted that although these demands exist in both these countries, they are not supported by all the fair trade organisations: there is a great diversity of views.

Some organisations’ rationales thus include political struggle which may range from defending the sector (corporate defence) right through to more global struggles relating to problematic national or regional policies. We have found this rationale in Bolivian organisations that are managed by producers, and also in some Peruvian actors. Fair trade actors thus become political actors, and this change manifests itself on two levels: through advocacy in their role as representatives of their sector to the government and/or parliament, and through the training given to producers on political issues.

The following are some examples of political demands:

- **The introduction of a social security system for craft producers**, a system that should at least cover their health costs and a minimum pension (long-term craft work can cause serious eye, back and knee problems). In the Santa Cruz region of Bolivia, Arte Campo’s large membership allowed it to gain permission to contribute to a private pension scheme for businesses. Furthermore, the Bolivian fair trade craft producers’ network OEPAIC has a lobbying role vis-à-vis the Bolivian authorities to obtain a social security system (health cover and a pension for the elderly). In Peru in 2004, representatives of the various producer groups that belong to CIAP participated in the development of draft legislation for craft producers where it was specified that the law must provide for the establishment of an optional social security system for craft producers.

- **The struggle against the Free Trade Area of the Americas (FTAA).** The struggle against the FTAA is the most visible commitment of a number of organisations in Bolivia and Peru because of the specific difficulties facing the region, but is accompanied by political positions on other regional issues such as the Free Trade Treaty and international ones such as the World Trade Organisation (WTO). In the case of the CIOEC this commitment takes the form of training for members on these issues, and in the case of the GRESP (Grupo Red de Economía Solidaria del Perú) in Peru it took the form of a presentation of the Free Trade Treaty, the FTAA and the WTO to the first national fair and ethical trade forum in October 2004.

These political players also try to play a role at national level. This role is increasingly played by networks rather than by the producers themselves. In Bolivia, this lobbying work is conducted for the most part by the CIOEC, a group of women craft producers, and by the Red OEPAIC, an umbrella organisation of women craft producers’ organisations. In Peru, the work is undertaken by the Peruvian national solidarity economy network, the GRESP. These networks derive their legitimacy from grassroots fair trade organisations. For the GRESP, one of the purposes of fair trade is to transform the centralised neo-liberal state. It works for a maximum degree of state decentralisation, in order to allow a process of co-management by the state and by civil society at all levels (international, national, regional and local). The creation of the Latin American fair trade network (Mesa de coordinación latinoamericana de comercio justo), of which the GRESP is one of the founding members, is part of

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43 Cotton is, in fact, the most pesticide-intensive crop in the world: in terms of value, it accounts for 10% of the market (2,550 million USD in 1994) and around 25% of all insecticides used over 2.5% of the cultivated area of the planet (Pan UK, 2003), and some sources say that in India it accounts for 55% (Sharma, 2005).
this same movement: “the goal is to attain a level of coordination that will allow real influence on the political level, in a context where several countries from the region are negotiating multilateral free trade treaties that increase socio-economic inequality”, aiming to transform fair trade into a movement of producers and consumers in the South (Audette-Chapdelaine and Lafrance, 2005). Here again we see the idea that change should be accomplished from the bottom up: the economic dimension of fair trade remains a concern of the network, but political goals are predominant among this actor’s concerns.

**Conclusion**

Through examples from the four countries covered by our study (Bolivia, Peru, India and Cameroon), this chapter has shown that specific dynamics exist in fair trade organisations in the South. Their goals reach far beyond commercial issues: for them, fair trade is a means of pursuing development, rather than simply a question of market access. There are a variety of projects but all of them are part of a struggle to eradicate vulnerability and ensure the survival of populations through a change in social relations, an improvement in trade conditions and in producers’ skills, and, especially in Latin America, through the struggle for the political rights of the weakest members of the population.

Whilst we do not have any illusions about the shared character of the values and standards of fair trade, or about the egalitarian character of social relations in the South (where empowerment is often limited or selective), we have observed that fair trade adheres to the solidarity referential and that its values are interpreted differently depending on the culture, beliefs and political background of the organisations without organisations in the North always being aware of the importance of this interpretation. It is precisely this that makes the referential so strong. Practices that correspond to them display huge variety in the ways decision-making is organised, in the importance accorded to the principles of organic farming, in the organisation of the distribution of the fair trade premium and the approach taken to the notion of a ‘fair price’.

Interpretations differ equally widely as concerns the issue of gender, a normative principle that has only more recently been introduced into the referential of fair trade. Some organisations in the South accord only little attention to this issue, whilst others place gender issues at the centre of their concerns and others use it as a means of adding value through access to markets in the North.

This diversity of operating models for fair trade is, we believe, made possible by two of the normative principles of fair trade: the use of negotiation as the preferred mode of relations, and the existence of a long-term mutual commitment between organisations in the North and in the South.

These two principles allow anybody to enter into a process of learning about the way his or her partners live and operate, whilst at the same time improving commercial relations with them. In line with this, organisations in the North have long accepted failures to comply with order deadlines and products that do not conform to the original request (interview at Oxfam Magasins du Monde, 2004; Le Velly, 2004) in order to allow producers to organise themselves. These principles also allow organisations in the South to interpret the various normative principles that are crucial to their participation in fair trade. Finally, they also allow time for the various actors to join the network, in particular those involved in processing. AGROCEL, for example, may negotiate the progressive introduction of higher social standards by processors, using Memorandums of Understanding (MoUs)\(^4\) as a specific tool to achieve this. However, the terms and processes negotiated are

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\(^4\) The purpose is to get them involved in fair trade by making them understand the importance of social standards. In Mumbai, the social issue is whether or not the worker possesses a worker’s card with his or her name on it. This card guarantees, *inter alia*, the payment of a minimum wage and of a supplement for any overtime. They are difficult to introduce in workshops where a worker’s card that recognised the link between worker and company would cause the company to lose flexibility and consequently competitiveness in the face of “conventional” competition. In order to encourage company managements to use this card, AGROCEL approaches the issue through negotiation. Representatives say that it is only by explaining and convincing that
challenged by demands from the opening up of markets, and this has consequences for the practices of organisations in both North and South.

sustainable changes can be introduced. AGROCEL is therefore investing in this process – which is sometimes formalised through specific memoranda of understanding (MoU) – to define its relationship with manufacturers. These documents, which have no legal force, set out the expectations and obligations of each partner with respect to the other, and allow progress to be evaluated. This is therefore a real process of negotiation.
Chapter 3:

The Ongoing Changes are Transforming the Fair Trade Network in the South

Producers in the South often do not sell all their products in the fair trade sector because, as seen above, it does not always have the capacity to absorb them. Additionally, the increasing number of producers in the crafts sector in the South creates competition that forces prices down. This cuts craft producers’ incomes because fixed overheads and the cost of raw materials cannot be reduced, and in some cases even increases.

Faced with this situation, producer organisations in the South have developed a number of strategies, amongst which the development of local markets and the accumulation of export labels for products appear to us to be the main components. These two strategies are reflected in changes to the network and to operating practices.

In this context, the growth of markets in the North analysed in Chapter 1 also has an effect in transforming the fair trade network. Our observations lead us to believe that one of the key elements in the changes currently taking place is the increasing account now taken of the demands of the conventional market, a change that is also reflected in the increasing use of standards in fair trade. The consequences of this are visible in the South, in that they affect both the organisation of producers and the shifts we have observed in the solidarity referential.

1. The search for new markets is leading fair trade organisations to diversify their commercial strategies

Since fair trade production in the South is not finding sufficient outlets in the North, many promoters of coffee, quinoa and other products are still being forced to sell some of their produce on the conventional market (Taylor, 2002; Charlier, Yepez and Andia, 2000). In parallel to this, the market for fair trade craft products is seeing not only an increase in the number of producers, but is also faced by competition from “ethnic” products produced in large quantities, at a low price, and often at lower levels of quality. Oxfam Magasins du Monde is thus now talking of a “crisis in crafts production in the South”. As a part of this, some producer organisations such as Asha Handicrafts in India are looking afresh at the practices pursued by organisations in the network in the North and now expect them to adopt a much more aggressive commercial approach. Others, such as MINKA in Peru, reject the term ‘crafts’ and back a division of the market identical to that in the conventional market: “clothes should go with the clothes, the same should go for utility objects, etc.”, which creates a tension with fair trade organisations in the North, where all products are sold in the same shop. Others diversify their commercial strategy using, inter alia, the development of local markets and of other quality export markets. Access to these new markets calls for change to the technical social provisions on which the network’s operations are based, a change that is facilitated by some of the organisational principles of fair trade, but which sometimes comes with a prohibitive cost.

1.1. Development of a local market

As Renard (1999) and Taylor (2002) have shown, the absence of outlets leads some producer organisations to create new trade relationships outside the “fair trade” guarantee system. This is the case for Bolivian women craft producers who, although they prefer to sell to the fair trade
organisation, also sell their products through the local conventional market or through intermediaries. They even say that they discount their prices heavily when they need money. It is interesting that fair trade organisations try to maintain the payment of a “fair price” to producers and therefore to preserve one of the key normative principles of the solidarity referential. This situation can be observed in the cases both of El Ceibo for cocoa and of the Bolivian craftswomen. This position is fostered by practices and know-how acquired through fair trade, such as:
- how to calculate and negotiate a price (fair trade has allowed the calculation of a price that takes account of raw materials, fixed overheads and labour, see chapter 2); and
- how to work on the physical quality of products. In the case both of the cocoa producers and the Bolivian women craft producers, involvement in fair trade organisations has allowed producers to acquire production skills to improve product manufacturing quality and thus to increase their market value. We shall return to this point further on in the chapter.

These have also allowed products to be positioned on other quality markets: local organic markets for El Ceibo (20% of production), which can thus buy beans at the higher organic price; top range local ethnic crafts markets for Azur in Bolivia and Shrujan in India, which now sells 80% of its production on the home market.

Furthermore, the organisations are also trying to develop a local fair trade market, above all in countries where a developing middle class means increased purchasing power. They are also taking advantage of commercial opportunities offered by the tourist market. To do this, they develop their own sales points and sell their products in certain luxury shops, hotels, institutions, or national trade fairs. This, for example, is the case for “Fair Trade” craft products marketed in Bolivia by ComArt, which has two shops in La Paz: one in a crafts district that is popular with tourists, and another in the southern district of Aschumani, which has a wealthier population. It is also the case for Inkapaya and Azur, both of which have opened shops in Sucre. Inkapaya also has a shop-cum-museum in Tarabuco and a shop in Oruro, two sites that are very popular with tourists.

In Bolivia, the development of the local fair trade market seems to us mainly to be due to a change in the population’s mindset and views vis-à-vis Andean culture. Over the last few years, ethnic products have thus become a sign of identity for the whole of the Bolivian population, not just for Indians but also for the middle classes and the wealthy. In India, Indian culture has always been important for the development of local markets. The colours used for embroidery and the shape of the products are immediately accepted by consumers. This allows the original aesthetic of the products to be retained, as it is understood by consumers, whereas changing them for export markets leads to tensions that we shall examine in the second part of this report.

In both Peru and Bolivia the development of the local fair trade market is a priority for a multitude of organisations. Here again, however, it is interesting to note that the rationale behind this is not only economic but also political for a number of organisations that see it as part of the solidarity referential. Both the GRESP in Peru and the CIOEC in Bolivia believe that fair trade must develop a national and regional market in order to win recognition not only as an economic actor but also as a political one. In fact, it is through their economic weight at national, regional and international level that fair trade actors are able to acquire political strength as “political actors engaged in development with a view to wholeness, sustainability and solidarity” (Cotera, 2003 and 2004).

The development of a local market is not without its effects on the network.

- On the one hand, some organisations do not have sufficient financial resources to pay the commissions demanded by some sales outlets, particularly hotel boutiques (this is the case for KMVS in India and Casa Betania in Peru), which contributes to their exclusion.

- On the other, certain products become the object of competition between fair trade organisations, which then cannot obtain sufficient supplies. The local market thus has potential that organisations are not, for now, able to fulfil. This is the case, for example, of the Sucre region in Bolivia, where women craft producers sell their products both to their...
umbrella organisation Inkapaya and to the NGO Azur. During some periods of the year (especially in the tourist season) they are not always able to fulfil orders arriving simultaneously from both institutions. On the ground, the challenges of competition between fair trade organisations give rise to tensions between actors. Women craft producers belonging to both organisations are sometimes caught in the middle, not wishing to refuse to participate in one or the other for historic reasons, or simply in order to reduce risk and increase their sales options.

This situation raises the possibility of new groups of craftswomen entering the fair trade network, but this can only take place as part of a long-term commitment, and will only be possible once a commercial solution has been found to the issue of seasonality and incorporated into the management of the networks. Women craft producers therefore now have a potential status as economic actors that could allow them to benefit from competition between organisations and on the conventional market.

1.2. Accumulation of labels

The development of local markets goes hand in hand with a search for new export opportunities, *inter alia* those offered by other markets centred around a particular “label” that the products have.

As we have seen, the value added to some products by their material quality, whether top-of-the-range or organic, allows fair trade products to find a place on local markets. It also opens up new opportunities for export.

Developing top-of-the-range products

For some women craft producers, quality refers to a product that has been well produced using ancestral methods (a weaving loom for example), and that carries a cultural message, and we shall refer to these as “ethnic” products. Discussions with people in the North indicate that ethnic products are in fashion, which provides an opportunity for market outlets for products from the South. Craft producers therefore have to strike a balance between the importance of respect for cultural aspects of the products and the demands of western consumers, whose tastes often require that products be adapted. They also have to take account of competition from products of the same type, marketed by other countries in the South that are not sold through fair trade.

Some craft producers’ organisations therefore opt to position their product at the top of the range, justifying this through the materials used and/or excellent craftsmanship and/or the rarity of the item. Amongst the ethnic products, we therefore see “handmade” products developing. This criterion also presupposes the use of natural products (natural wool, natural dyes, etc.) and traditional tools (weaving looms), for example woollen pullovers, stoles and scarves (sheep, llama, vicuna or alpaca wool) dyed using plants harvested in the Andes (El Molino has undertaken vast research work into wool dying with natural plants) and knitted by hand. There are also products made from clay or wood, either by hand or on a lathe, and coloured with natural pigments. Some organisations such as ComArt and Inkapaya are now even talking about developing their own label: “handmade product”.

Art products are also emerging, items that are either unique or produced in limited quantities, masterpieces with a cultural value. In these cases fashion is less important and production homogeneity ceases to be a requirement. This is the case of woven goods made in Sucre and Potosi (by Inkapaya and Azur member organisations) that use ancestral designs, scenes from life in rural communities, etc. These textiles are sold as pictures or tapestries to hang on the wall. This is also the case for some embroidery work on saris or wall hangings made by Shrujan. In all cases, the work calls for very precise and meticulous detailing and a real artistic flair. These truly are luxury ethnic craft products that can be positioned in a high-end market.
Using market opportunities for organic products

Producer groups vary in the way they see organic farming. For some of them, organic farming ties in with a certain view of development. This is the case of the El Ceibo cooperative in Bolivia, for which organic farming goes hand in hand with fair trade because its principles and values are coherent with local culture and the *pachamama* (see chapter 2). Organic crops are thus a key element of the development project in the same way that fair trade is. At present this cooperative’s production is essentially organic, with 80% of producer families already certified, rising to 95% with the inclusion of producers in transition. Organic cocoa is almost exclusively exported to fair trade importers in the form of a raw material, either as powder or paste. Some of the cocoa-based products are processed in Bolivia and sold on the national organic market which El Ceibo, as we have seen, is seeking to develop.

This is also the case for AGROCEL, which sees organic farming as contributing to the autonomy of peasants and villages in line with Gandhi’s wishes. It diminishes imports of phytosanitary products whilst also stimulating the use of local resources and fostering food autonomy (because it introduces crop rotation).

In all cases, organic farming represents an immediate opportunity for development because farmers who are too poor to afford fertilisers or pesticides can be certified as organic without needing a conversion period (Malins and Nelson, 1999). This is what Page refers to as organic farming “through negligence” (Page, 1998, quoted in Redfern and Snedker, 2002), and what might be better referred to as “determined by situation”. This is the case, for example, of Ugandan cotton producers, and of some producers we were able to visit in India in dry, non-irrigated regions.

It also represents an additional outlet, which allows organisations to remain within a quality network that is independent of the conventional market, and to continue to pay producers at above market rates. The price premium obtained on the organic market is equal and sometimes superior to that on the fair trade market. The price obtained is 10% to 20% higher for cotton, depending on the purchasing strategy pursued by producer organisations in India. El Ceibo says 2003 prices were 21% higher for organic cocoa and 9% higher for fair trade cocoa. This is additionally effective in increasing producer organisations’ autonomy because in the case of cotton and processed products organic farming is also a network within which sales opportunities are more numerous than in the fair trade network. This is because the opportunity to sell organic cotton is open to each actor in the sector whereas fair trade is only available as an opportunity to partner organisations (Fig. 7). An increased number of actors increases opportunities for contact with new clients. Furthermore, producer organisations can sell their products directly to clients on the conventional market who are interested in organic products, such as intermediaries, and take a place within professional organisations such as the Organic Stock Exchange. For their part, intermediaries sell both to processing companies and to distributors. On the ground farmers have to reckon with a loss of profitability associated with conversion to organic farming – it can be as much as 50% – but the price obtained for organic cotton and the fair trade premium often compensate for the drop in revenue.

In subsistence economies, organic farming increases producers’ autonomy and is therefore well regarded, especially as farmers say that they can see the differences (better quality soil, insects returning, etc.).

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45 Some organisations in India also undertake to purchase rotation crops, whereas others only buy cotton.
46 The farmer is required to practice organic farming for three years without being able to sell his products as such (this is the transition period) because residues of pesticides and chemical fertilisers remain in the soil and mean the products cannot be designated as organic. Not using pesticides and synthetic fertilisers also causes profitability per hectare to fall.
However, we have seen on the ground in the Kachchh that although some farmers have a real interest in organic farming, their choice is often made on the basis of an economic evaluation that also includes GM crops. These are an attractive alternative to organic crops for many peasants.

Some farmers cultivate genetically modified cotton because the cost of hybrid seeds is too high. However, the farming costs can be the same: it is enough for a pest other than the bollworm (which the GM cotton “Bt” was developed to resist) to be present, and pesticides once again become necessary. The real issue remains that of productivity, which the peasants we spoke to said was lower than with the hybrid varieties used for fair trade and organic cotton (table 4). That said, all are aware that Bt cotton requires less work, whereas organic cotton requires more work. Conversely, organic cotton, whose specifications categorically rule out GM crops, requires more work but is cheaper to produce, can be sold at above the usual market price, and preserves the health of producers and their families, and therefore is an alternative to Bt cotton.

47The extra work involved attracts criticism, particularly as regards the burden it places on women. In Bolivia, for example, weeding and crop monitoring work is much more intensive, as is the struggle to keep birds out when the seed is maturing. This work is undertaken by women and children, which extends their working day from early morning to late at night at certain times of year.
Table 4. Costs described by cotton producers questioned.

<table>
<thead>
<tr>
<th></th>
<th>Local hybrid (KORVARCHI)</th>
<th>Bt Cotton</th>
<th>Organic cotton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of seeds / acre</td>
<td>1,600 INR</td>
<td>600 INR</td>
<td></td>
</tr>
<tr>
<td>Quantity needed / acre</td>
<td>150 g</td>
<td>500 g</td>
<td></td>
</tr>
<tr>
<td>Cost of farming</td>
<td>2,000 INR</td>
<td>2,000 INR or less, depending on year.</td>
<td>1,200 INR</td>
</tr>
<tr>
<td>Productivity</td>
<td>1,000 to 1,200 kg/ha</td>
<td>800 kg/ha</td>
<td>500 to 800 kg/ha</td>
</tr>
<tr>
<td>Sale price on the local market</td>
<td>19 to 20 INR/kg</td>
<td>19 to 20 INR/kg</td>
<td>22 to 24 INR/kg</td>
</tr>
</tbody>
</table>

Kachchh. Winter 2004/2005

Although organic farming is an opportunity for the development of some markets, products that are both organic and fair trade, like El Ceibo’s cocoa, represent a niche market (for instance, fair trade organic cocoa currently accounts for around 5% of the international market) that appears, according to distributors we have interviewed, to offer limited prospects for growth: “The sales aren’t colossal but it sells. We’re serving a fairly distinct clientele.” (Distributor, 2004). Browne (Browne et al., 2000) also notes that the big supermarkets fear a slowdown in the number of farms converting to organic if fair trade criteria are adopted whilst demand for organic produce is constantly growing.

This raises two questions. Firstly, following this line of reasoning, organic produce would account for a larger market than fair trade produce. It seems to us that this finding needs to be explained in more detail to take account of differences between types of product and geographical areas. In Europe, for example, Switzerland (1000 t) and Germany (1750 t) are among the largest consumers of organic cotton, whereas the French, Belgian, Dutch, Austrian and Italian markets remain confidential. Alongside this, as for fair trade, supply of organic cotton remains higher than demand subsequent to a fall in production of 50% in the 1996-97 marketing year, from which it has still not recovered48 (Ton, 2002). Secondly, it underscores the fact that organic farming is less demanding in social matters than fair trade farming, and that the cost of accumulating these two qualities is a commercial hindrance.

In truth, organic farming is not often reduced to its technical components with the “moral” and, specifically, social components being forgotten (Raynolds, 2004). This is confirmed to us by Belgian organic farming actors “the inspectors ensure the specified standards are observed. These concern agricultural practice. The social recommendations are not compulsory....” (Certifier, 2004). It is thus that Goodman and Goodman (2001) show, in a study of the relationship between organic farming and fair trade in the United States, that production conditions are not an issue, inter alia for imported organic products, which allows organic producers access to an underpaid workforce with no job security. We have also noted in chapter 1 that in Belgium products that are labelled as organic compete with fair trade products whilst providing lesser social guarantees.

This shows a market for tropical organic crops that is moving away from the ethical principles developing among consumers, and that there is a need for the relationship between the two to be clarified. This work has already been begun by IFOAM49 (see ch. 1).

This will have an impact on organic actors both in Belgium and in the South.

Belgian organic actors are aware of this problem and have, they say, been influenced by the Clean Clothes Campaign, an campaign on the issue of adherence to ILO standards in textiles processing. They met during the winter of 2004 to introduce more binding standards into the specifications for organic cotton, silk and hemp manufacture and processing (interview, 2004). It should be noted that competition between certification bodies also plays a role because their concern in these drafting

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48 This fall was linked to a fall in demand from major textiles groups, since the fashion for ranges of organic clothes had passed (Haynes, 2003).

49 An international organic farming certification body.
meetings – which we were able to attend – was to find a balance between the wish to respond to the Clean Clothes Campaign and the need to remain competitive against other European certification bodies that were sometimes less demanding on social matters. The final version of the document will refer to the work of IFOAM and ISEAL.

Some organic producer organisations in the South are interested in the ethical added value for their products that fair trade offers, and are seeking fair trade recognition. This is the case of the business Maikaal Rajlakshmi Ltd, whose activities are based around organic cotton and which envisages seeking Max Havelaar certification for producers it works with and a social certification for its processing activities.

Other organisations, such as the Indian-Swiss organisation BioRe, which initially declared on its website that it was seeking fair trade and ethical certification, have performed an about turn and decided to use a private code of conduct, that of their main client REMEI AG, which is associated with the distributor COOP\(^50\). Ultimately, as Ratter (2005) points out, everything boils down to commercial opportunities and COOP has no need of further added value, since in 2004 it sold more than 3 million articles of organic clothing under its “Naturaline” brand, accounting for 50% of its total cotton use.

### 1.3. Easier diversification through fair trade measures

Fair trade provides producers with skills and tools that allow them access to other quality market sectors. Firstly, fair trade allows producer organisations to allocate the premium they receive to a variety of community development activities, such as training for producers and/or purchasing better quality raw materials that allow them to access certain quality markets such as the market for natural and handmade products, as seen in chapter 2. Secondly, the social and technical standards of fair trade facilitate the transition to organic farming. Particular factors are:

- **Integrated Crop Management\(^51\)**, which has become the norm in fair trade specifications. Reduced usage of synthetic chemical products changes farmers’ practices. They have to relearn how to observe their fields and the state of the soil, and to adapt their treatments accordingly. They also have to log their usage of phytosanitary and other products.

- **Traceability.** Although product traceability is not one of the normative principles from the solidarity values, it has always been necessary because there was a risk that harvested crops might be mixed with non-fair trade products, especially when being processed (for example when roasting coffee, making cocoa paste, spinning cotton, etc.), and it was necessary to be able to assure consumers in the North that the products they were buying as fair trade did indeed come from producers in the network. It was therefore necessary to be able to isolate and identify batches.

Isolation begins with the harvest and changes the social and technical requirements for both the producer and the organisation. In India and in West Africa, the cotton harvest must be stored and then transported separately, which involves using designated storage areas both on the producer’s premises (part of a room in the house is often used for this) and on the producers’ organisation site (where the harvest is pooled with that of other producers). This continues when the product is processed. This is often undertaken by industrial companies that also process conventional products. To guarantee an unmixed product, the machines have to be stopped and cleaned before the fair trade products are processed. This involves a cost for the business, which will only accept the work if the volume to be processed is sufficient to offset the cost of stopping the plant. This in itself constitutes a technical obstacle to the movement of products (Mrill, 2000) which fair trade organisations must face.

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\(^{50}\) [http://www.biore.ch/english/biorelabel/sozialekriterien.en.htm](http://www.biore.ch/english/biorelabel/sozialekriterien.en.htm)

\(^{51}\) Cf. Chapter 1.
These practices are the same as for organic farming. The specifications for organic farming, which have been given legal form by a European standard, require precise documentation of the agricultural practice of each producer, together with product isolation, which is even more important as the presence of non-organic products can cost a batch its organic label. The transition from fair trade to organic is therefore eased by the existence of traceability and by the reduction in chemical production factors, since some of the changes in practice required of producers and organisations in the South in the transition to organic production have already taken place. Small farmers still have to change their practices, including stopping dusting with synthetic chemical products, and comply with other new requirements. For example the 5 m wide green “barriers” required around fields in India to avoid the risk of cross-pollination with GM crops.

Traceability is very difficult to organise in practice: it requires the application of burdensome social and technical requirements that are not easily managed by producers in the South and by their organisations. In India, for example, farmers in AGROCEL did not understand the point of it because, as owners of small plots of land, they knew their own fields perfectly. The need for documentation was even less well understood because many producers did not know what fair trade was, or how important the consumer was to the network. There is therefore a lack of knowledge and commitment in producer networks, which can impact on practices, and which demonstrates a need to learn.

These practices allow successful integration into the conventional market via local and/or specific high-quality channels. They have not been adopted by all fair trade actors in the South, but all need to accept the demands of the conventional market and this does inevitably create some tension within the network.

2. Taking conventional market requirements into account

Redfern and Snedker (2002) state that the entry of fair trade into new distribution channels exerts strong commercial pressures that, in the long term, threaten the quality and sustainability of links forged with producers. This is the case, for example, with new products that are being developed by some fair trade organisations in the South to win new markets. In Bolivia and Ecuador, women craft producers’ organisations are creating items in felt (slippers, necklaces, bags, etc.), which are versions of craft products made in Nepal. For the time being, and to the extent that producers are able to adapt to new techniques, these products are selling relatively well. That is not to say, however, that there is no commercial risk. Firstly, if a product is launched in a variety of different locations around the world, the market can become saturated. Sooner or later all these organisations will enter into competition with one another. Secondly, fashions change faster than craft producers are able to adapt. Will it, therefore, still be possible to speak of a sustainable relationship between North and South?

Even if they do not go so far as to produce objects to order, without any link to local activities and culture, organisations must take account of the demands of the conventional market, and manage the tensions that these demands create within the network. We have, in any case, observed that taking account of these demands has a profound effect on the fair trade network in the South.

2.1. The diversity of the conventional market’s demands

As we have seen in chapter 1, fair trade consumers are more than just a militant group of people who shop in Magasins du Monde. They are increasingly demanding as to the material quality of products (good taste, no pulled threads, etc.). They have a vaguer understanding of fair trade, and see it as close to ethical commerce. This last element is especially important as a general increase in the public’s expectations in terms of ethics has been noted (Environics International, 1999; Dupuis, 2002; Hamon, 2002; Mac Cann Erickson, 2002; Marras, 2003), and the market has taken this into account.
Conventional distribution, for its part, imposes a certain number of demands on producers. These are defined by profitability constraints, *inter alia* lean production, which limits storage and, for major distributors, shelf space, where each centimetre must meet a profitability level set by management. To summarise, it is possible to identify two types of demand that are made of producers and their organisations:

1) **Quality of products.** Quality is understood here to mean not only the durability and finish of the items, but also all aspects of their qualitative characteristics.

It can take the form:

- **Of material quality requirements**
  - Requirements with respect to the physical quality of agricultural products: not stained, not rotten, etc.
  - Aesthetic or taste requirements: craft products and textiles must be appropriate for consumers’ tastes, clothes are subject to fashion requirements. The same goes for food products such as chocolate, which must respond to the taste requirements of the country where it is to be marketed.
  - Sanitary requirements. Traceability of food products as required by European standards is a part of this.
  - Solidity and uniformity requirements: products sold under the same name and for the same price must share the same qualities.

Quality plays a role in the positioning of the product and in justifying its price: it is easier to justify a higher price if the product is of high quality.

- **Of non-material quality requirements**

To respond to consumers’ demands in terms of ethics, conventional distributors sometimes devise their own specifications (Carrefour or C&A, for example) or use private certification schemes such as SA 8000 or Fair Wear Foundation (cf. Box 3). When they distribute fair trade products that have been processed in the South, a number of distributors require a guarantee that the product was processed ethically. This is often the case, for example, of businesses that market organic and fair trade cotton.

**Box 3: Examples of social standards in textile processing**

| The model code of the Clean Clothes Campaign (Code of Labour Practices for the Apparel Industry Including Sportswear). |
| This requires distributors and brands to respect the fundamental rights of workers and ensure that they are respected by all their clothing supply channels. |
| - Employment is freely chosen: ILO, conv. 29 and 105 |
| - There is no discrimination in employment: ILO, conv. 100 and 111 |
| - Child labour is not used: ILO, conv. 138 |
| - Freedom of association and the right to collective bargaining are respected: ILO, conv. 87 and 98 |
| - Living wages are paid |
| - Hours of work are not excessive |
| - Working conditions are decent (good hygiene, health, etc.) |
| - The employment relationship is established |
| Details can be consulted online: http://www.cleanclothes.org/codes/cccode.htm |

| The SA 8000 Code |
| This covers 9 areas: |
| 1. Child labor |
| 2. Forced labor |
| 3. Health and Safety |
| 4. Freedom of Association and Right to Collective Bargaining |
| 5. Discrimination |
| 6. Discipline |
| 7. Working Hours |
| 8. Compensation |
| 9. Management Systems |
| Details of the code may be consulted online: http://www.saintl.org/index.cfm?fuseaction=Page.viewPage&pageId=473 |

Source: SA 8000, 2005; Clean Clothes campaign, 2005
2) **Order conditions**

**Quantity.** Orders are often for a significant product volume, which must be delivered on pain of financial penalty or the risk of being excluded in future from the list of suppliers. Conversely, it is also possible to receive one-off orders for smaller quantities but without any commitment to reorder.

**Transport conditions.** These are often imposed by the client (rapid collection of the harvest, refrigerated containers, etc.).

**Delivery deadlines.** These are set by the distributor and often come with penalties for lateness. The crafts sector also has to comply with these constraints except in the case of one-off, and therefore non time-dependent, runs of high quality products.

We have observed that these conventional trade demands impact on the fair trade networks in the South, causing changes, *inter alia*, to the way they respond.

### 2.2. Impact of quality requirements

We shall first analyse the impact of quality requirements on agricultural production, and then on processing (and crafts) by examining their impact on the know-how needed for production and the way these requirements translate into social and technical responses.

In agriculture, each aspect of quality (integrity, sensory, aesthetic, or social) is given form on the ground through the introduction of new elements that act to change know-how and cultural practices, and/or through organisational changes or alterations in the N/S distribution of added value.

**Preserving integrity**

Building material quality requires the mobilisation of an array of social and technical measures that appear to us to have been devised to preserve the integrity of the products. This occurs both in agricultural production and in craft production, and converts quality demands into cleanness, purity of the harvest, and attention to handling and storage conditions.

Let us take as an example cocoa beans at Macefcoop in Cameroon: the cocoa pods are harvested after 150 to 180 days, which is the period required for the pods to reach maturity. The harvest is carried out using knives instead of other instruments in order to avoid damaging the beans when the pods are opened because “*it’s bad for fermentation*” (Macefcoop producers, 2005). Once the pods have been harvested, the planters then open them to prevent the beans from germinating. The beans are then collected in clean receptacles and the producers remove those that have started to germinate, those that are too small because they are not ripe, and any other foreign bodies such as pulp and pieces of broken pods. The same can be said of El Ceibo in Bolivia, where they are currently trying to improve the technique for drying cocoa beans using a wood oven in order to prevent, as far as possible, any uncontrolled fermentation of the beans and consequent loss of their biological and taste qualities. In India, AGROCEL gives directions for the handling of cotton and any form of “contamination” from outside sources is to be avoided because it would affect the quality of the cotton threads. The issue at stake is to protect the harvest from waste that could be mixed in with it through carelessness (polyester threads, cigarette ends), for example by using cotton rather than polyester bags for transport.\(^{52}\)

In India and Bolivia, craft production takes place either on mats placed on the ground away from children in order to keep the work clean, or in specifically designated places. For example, women’s buildings are constructed for experienced embroiderers so that they can observe the required standards of cleanliness and productivity through being isolated from their families, but still have each other’s

\(^{52}\) A detailed approach to this was presented at the congress of the Environment and Society Research Committee of the International Sociological Association in Marseille (Haynes, 2005).
company. This shows that organisations in the South have commercial concerns over productivity too. In fact, the objects involved in preserving the quality of the harvest also have a productivity role: the knives used by Macefcoop, for example, allow damage to the bark of the trees to be avoided, thus avoiding a loss of productivity in subsequent harvests. Allowing for the fact that habits take time to change, we have not encountered any reports that mention producers experiencing serious difficulties in adapting to these changes once they understand the reasons for them.

**North/South tensions over organoleptic qualities**

The changes to the socio-technical network that we have just described also contribute to the creation of another type of quality – that of taste. A distributor describes it in this way: “*I can say that when we taste a product that is good, it’s not a miracle, because a lot of work has gone into producing it.*” Although fair trade allows for an improvement in the quality of agricultural products (e.g. cocoa), it does not necessarily enable producers to obtain an organoleptic quality that meets expectations in Northern countries.

As we know, taste is a subjective matter linked to cultural habits. These habits vary between the North and the South, but also within each continent. Thus, the culture of taste, in terms of these two products, varies from one European country to the next (an Italian does not have the same taste as a Belgian or a Briton) and this distributor’s approach probably takes this into consideration. If the South is to take into account the different tastes in each country, special mechanisms need to be set up and/or sales have to be concentrated in a single country, which sometimes entails mixing different varieties of a product, sometimes from different countries, which is something a small producers organisation and even fair trade organisations in the North are not in a position to do.

One of the people we interviewed explains the situation as follows: “*There’s no doubt that the added value would be higher over there, if only in terms cost-efficiency. In terms of transport, it can be highly profitable: you fill a container with 250 g packs instead of having unprocessed 60 kg packs. The only hitch is that there is insufficient control of this process. It’s not that they are not capable of doing this, but the question of taste, when it comes to coffee or chocolate, is an extremely complex matter. When we ask Guatemalans to roast the coffee so as to make a clear blend, even when they have machines to measure the blends, it doesn’t sell because it’s not to the client’s taste. The World Bank or the Commission has funded the construction of entire instant coffee-producing factories, whose products are in theory as good as those in Europe, but which don’t taste as nice to me.*”

Here we have identified one cause of the exclusion of these organisations from the fair trade network.

We must also bear in mind that standards of quality and taste differ according to the distributors’ strategies. Those, like Delhaize, for whom quality is an essential source of added value for their brand name and who consider that fair trade contributes to this added value will be more demanding in terms of taste than general distributors, who leave responsibility for product quality to the companies that make fair trade products.

**North/South tensions over aesthetic requirements**

Taking into account consumers’ aesthetic tastes (linked to fashion trends) also causes changes to socio-technical mechanisms in the handicraft sector where fair trade organisations must create mechanisms that are acceptable to craftsmen. Now, craftsmen from the South may have different tastes and often attach a strong cultural value to their work – a value that they do not like to see challenged. For example, in Bolivia, some groups of women regard the use of traditional patterns as very important and do not want to stop using or modernise them. Fair trade organisations therefore have to bring in elements that make it easier to adapt to different tastes. They use:

- production tools. Shrujan has introduced the use of sharper embroidering needles and pale colours (called English colours by the Indians), which sell better in Europe, as well as silk rather than cotton
thread. Higher-quality embroidering sells better both on the local Indian market and abroad and respects the culture of embroiderers, which attaches importance to the type of stitching and the suggested patterns (some stitching is incompatible with some patterns) rather than to the patterns or the colours. This is especially important as some techniques involve embroidering backwards or on the back of the cloth. The pattern must therefore be perfectly compatible with the embroiderer’s culture. If this is taken on board, they are happy to do the work. It should be noted that these brightly coloured threads have “only” been used for the last 70 years, dating back to the time when cottons were first imported; traditional embroidering was done using natural and far paler colours. In some cases, the notion of tradition really signifies the producers’ tastes and habits.

- stylists. Stylists, who are new stakeholders in the sector, often act as intermediaries between the different cultures and aim, as far as is possible, to reconcile both sides’ interests. The types of stylist and their role have been described by Litrell & Dickson (1999), who have especially highlighted their role as interpreters of the local culture for the external market or in helping the local market to understand the expectations of Northern markets. Both roles can be fulfilled by actors from the South or the North. Stylists help craft producers from the South to tailor their patterns and colours (surface styling), as well as their sizes and the different shapes of clothes (cut styling) to Northern expectations. But styles vary from country to country, despite the fact that certain tastes have become uniform. For example, a distributor told us that it was impossible to sell fair-trade clothing made from organic cotton and designed in Germany. European cultural diversity is therefore as prevalent in the clothing sector as it is for certain foods. This sometimes means working with several stylists. However, this is often not possible, and therefore producer organisations work in specific markets only (e.g. Switzerland and Germany for cotton).

- companies operating on the conventional market. In Peru, a producer that is a member of Ichimay Wari, an organisation which is itself a member of the CIAP (Inter-regional Centre of Peruvian Artisans), will use the services of a conventional market company, which will know which colours to use for ceramics depending on the country they are being exported to. As is the case for clothes, the colours used for porcelain figures in a nativity scene will be very different in Italy and the Netherlands, for example.

North/South tensions over traceability.

Traceability rules in the fair trade sector are compliant with European food safety standards. Although traceability is not a legal obligation for all categories of products, it is being introduced progressively and distributors have anticipated its use across the board by requiring it of a many of their suppliers and by bringing in their own safety standards (Roussel, 2006). Traceability rules in the fair trade sector meet distributors’ expectations in this respect and make it easier for fair trade companies to get their products approved. That said, full traceability in the fair trade sector is not yet possible. In practice, the system can guarantee that products (e.g. cocoa) come from a fair trade organisation in the South, but cannot trace the products right back to the actual producer. This is often flagged up by distributors from the conventional market. That is why the private certification programme Utz Kapeh, described in the first chapter, which guarantees traceability back to the producer, thanks to a user-friendly web-based track and trace system, is an attractive proposition. There is therefore a risk of tension in the future between fair trade organisations and those operating in the conventional trade sector.

North/South tensions over social standards.

Conventional distributors of fair trade textiles often require products to be processed in compliance with their own ethical standards (e.g.: Delhaize, Carrefour, C&A) or receive private conformity accreditations, such as SA 8000 or Fair Wear Foundation. This is often a requirement of companies that market organic and fair-trade cotton. Ethical standards are also required by founding organisations in the fair trade sector, as was mentioned in the first chapter. In both cases, a number of non-material

53 Utz Kapeh : http://www.utzkapeh.org/
qualities are being requested that require companies to enter into a process, meet a number of requirements and apply certain standards. For fair trade organisations such as AGROCEL, setting these standards is achieved through negotiations with the processors. As we said in chapter two, the peaceful culture and the difficulty in controlling the downstream chain of production must be borne in mind. However, when opening up to the conventional market, Northern fair trade organisations must sometimes forsake the way it conducts its relations with Southern partners, whereby social standards are negotiated progressively (as we saw in chapter 2), for a more rigid, centrally-managed system. The transition from negotiated social standards to a conformity and controls-based system places great pressure on Southern organisations in terms of deadlines for achieving conformity, which their corporate culture is unfamiliar with (as in the case of AGROCEL) and which creates an uneven playing field for them. For example, AGROCEL does not have sufficient commercial clout to be able to influence processors and, as we saw in chapter 2, can only use negotiation, especially in the clothing sector, to persuade them to improve their social standards.

On the other hand, Maikaal Rajlakshmi Ltd is an Indian fair trade organisation that specialises in processing (especially weaving and garment manufacture) and works with cotton-producing NGOs. Setting up social standards at Maikaal Rajlakshmi Ltd depends solely on its willingness and financial ability to do so (we will come back to this last point later), unlike with AGROCEL. This company also has links with Greenlicense, a Belgian textile-marketing company, and used to work with BioRe, a Swiss-Indian NGO set up by Remei AG – a Swiss cotton fibre merchant that manufactures clothing on demand - and Coop Switzerland, a cooperative of distribution stores which owns a large number of supermarkets. In this respect, and unlike AGROCEL, Maikaal Rajlakshmi Ltd is used to working to the industrial norms (audits, specifications) of mass distribution. Despite this, getting Indian partners to understand and accept the need for social standards was no easy task according to the people we interviewed.

As we have seen, the ease with which fair trade organisations are able to set up social standards in the processing sector depends on their situation, and the transition from negotiated social standards to a conformity and controls-based system could also be another factor leading to the exclusion of some organisations from the network (second cause of exclusion).

2.3. **Impact of the characteristics of an order**

It can be seen that the size of orders and the production deadlines have an impact in the South.

**Tensions over production deadlines**

These deadlines are usually based on needs in the North and do not always take into account the working patterns and other activities of Southern producers. Their impact is particularly significant in the processing sector (clothing and/or handicrafts) because production is just one of a number of other activities (e.g. complementing agricultural income) or orders (e.g. is just one element of the processor’s workload) and, therefore, is not always a priority.

Thus, the period when agricultural work is carried out (sowing and/or harvesting period), which involves all of the members of the producer’s family sometimes overlaps with the period during which the handicrafts are produced. This has an impact on the whole family, especially women, who must work longer hours. We met several women in Bolivia who told us that they had to work through the night in order to meet the delivery deadlines.

Actors in the North have great difficulty coming to terms with production constraints in the South, especially as regards deadlines and time management. This is what a stylist had to say on the matter: “In May, I went on a trip that opened up my eyes to the production conditions in these countries. I discovered that it takes a whole day to embroider a T-shirt. You really have to imagine the environment in which this production takes place.” Other problems also exist, such as the shortage of
raw materials. This was the case in Potosi: El Molino was unable to complete its order on time due to a shortage of alpaca wool on the Bolivian market. The same difficulty was flagged up by workers at Casa Betania in Peru: "We make a model in a specific colour, and when we receive an order, we go to the supplier and he doesn’t have the colour or the quality we need. And we can’t keep it in stock, because we don’t know what colour we will get an order for, which is why we only buy to order." Therefore, meeting production deadlines is a considerable constraint for Southern producers and makes it difficult for them to integrate into conventional distribution channels.

Workloads and deadlines also lead to a fall in the quality of life. Producers have increasingly heavy workloads during certain periods of the year. These constraints are even greater in the clothing sector because the textile industry works to a pattern of 4 to 6 collections a year. It is impossible for Southern producers to keep pace and this can lead to the exclusion of certain groups (third cause of exclusion). It is especially for this reason, as well as because of design constraints, that Casa Betania has stopped making clothing and is now focusing solely on accessories.

**Tensions over standardisation**

As well as aesthetic requirements, importers sometimes also make demands in terms of the standardisation of products. This can cause cultural problems. For example, in India, standardised patterns are said to bring bad luck in some tribes and embroiderers always find a way of tweaking the pattern in order to avoid this. Fair trade organisations therefore have to impress upon stylists from the North – who are often in charge of checking up on orders – that perfect standardisation is difficult to achieve for these reasons or because production is not semi-industrial or the quantitative demands make it difficult to organise.

**Tensions over quantitative demands**

Although most Northern and Southern organisations want to sell their products in larger quantities, it is sometimes difficult to adapt to the change in scale required to integrate into conventional distribution chains.

This is the case with Casa Betania in Peru, which in 2005 received its first large order for 4000 handbags from the American company *National Geographic*. This order was not only large, but the company also had to incorporate onto the front of the handbags a pattern painted by a Shipiba community from the Amazon forest. Casa Betania had to expand its network and work with new actors: it had to use the services of an NGO in order to find a Shipiba community it could work with. It had to contract out the work of making the handbags to other collectives that it had never previously worked with in order to be able to meet the large order. Working with these new actors led to a number of problems. Firstly, it was difficult both to coordinate the different speeds at which the various organisations worked and to get them to work more quickly: during our stay in Peru only 200 Shipiba patterns had been finished. Secondly, the fact that several different collectives were involved in making the handbags meant Casa Betania was unable to guarantee that all of them were complying with the production standards. The change in the scale of production, which is potentially beneficial, leads to an expansion of the network, which could well exclude some companies from the market if they cannot meet the deadlines and produce to a high enough quality, despite the expertise they have at their disposal.

In order to resolve the conflicts and the mutual lack of understanding between the North and the South stemming from the demands of the conventional market, fair trade organisations in the South reorganise themselves and sometimes eschew the political values of fair trade, which is even less of a wrench for them given that, as we saw in chapter 2, many producers and organisations are not averse to integrating into the market. This reorganisation takes several forms:

- Internally there is a progressive separation of marketing/sales activities and production, the former being increasingly carried out by specialists. This is what has happened at the Macefcoop cooperative in Cameroon: the cooperative has a “commercial arm”, which is a private limited company: Macefcoop Ltd. It develops Macefcoop’s commercial strategies and submits them to the General
Assembly for approval. Even NGOs sometimes share out tasks amongst themselves: the Indian NGO KMVS has often contracted Shrujan to carry out part of the work of managing its teams of embroiderers and the marketing of its products because it feels that they have better expertise in this field.

- Externally, most of the fair trade organisations we met, in India for example, try to organise visits from stylists and representatives from Northern organisations so they can make them aware of their production problems and get them to buy into the network.

This is not an easy task for Southern organisations. Firstly, many stylists or actors from the North do not understand the constraints Southern organisations are subject to, especially as they have no training in this type of production. This applies to the materials used to make clothes: one stylist told us that schools in the North train their stylists to work with synthetic materials and are thus unaware of the properties of cotton and how it can be processed and dyed. Secondly, a stylist’s fees are often far too high for producer organisations, which have to use the following fallback strategies:

- they either use a designer who works for fair trade organisations in the North and is paid by them, even if this means they have to apply for a grant to pay for this. This is what Belgian-based Oxfam Magasins du Monde does.
- Or they use the services of young apprentice designers, who are either volunteers or are paid for out of grants. For example, Peruvian-based Awaqkuna used the services of French fine arts students.
- Or the designer is a local designer whose fees are significantly lower (50 to 150S a day in Bombay, where the most famous designers can receive up 1000 $ a day), but who does not necessarily have a good knowledge of Northern markets.

Obviously some organisations do not attempt to reorganise themselves, either because they want to remain independent, as in the case of Ayniart in Peru, or because they cannot afford to, thus leaving the poorest and least organised exposed to the possibility of exclusion from the market (fourth cause of exclusion).

The need to take into account the demands of the conventional market has led to the emergence of a number of tensions between Southern organisations and/or producers and Northern companies placing orders with them. Modifying the network (expansion, working with new production tools and stylists) creates the conditions needed to adapt, but also brings about structural changes and problems getting people to buy into the network. For those organisations that do not have the cognitive and/or financial capacity to make these modifications, it is also a cause of exclusion. The fact that actors who are in favour of specifying standards for fair trade have taken into account the demands of the conventional market is also a cause of potential exclusion for the most marginalised organisations.

3. Effect of taking conventional market requirements on fair trade normative principles

In the first chapter, we saw that the private sector, on the basis of its ethical standards, questioned the need for producer organisations and long-term commitment towards them. Taking into account the demands of the conventional market will also lead to changes in the way that fair trade labelling organisations interpret the normative principles of the solidarity referential both because of the more stringent fair trade rules in specifications and because the qualitative and commercial demands of new fair trade clients in the North are being heeded. In addition, the terms of negotiation between the North and South have been changed in such a way that they may well exclude a number of producers whose culture, size and organisational set-up are incompatible with the constraints imposed by specific standards. We will come back to the consequences of these developments for the normative principles of the solidarity referential.
3.1. The demands of specific standards

The creation of specifications for some fair trade products in order to guarantee their “fairness” to conventional market consumers raises the question of the definitions used in these specifications and problems of implementation in the South. This is especially true of the use of the notion of “small” or marginalized producers. It also applies to the premium paid to producers and the rules for setting up producer organisations. The question is complicated by the fact that not all fair trade labelling organisations adopt the same standards. By certification/labelling organisations we mean not only the certification work of the FLO, for whom Max Havelaar is the labelling body in Europe, but also the IFAT standards, which enable members who have complied with the specifications to use the Fair Trade Organization Mark on their products54 (Fig 8).

Fig 8 The Fair Trade Organization Mark

We shall come back to the consequences of establishing specific standards for the normative principles of the system of solidarity referential one by one.

Principle 1: working with small producers.

Are small-scale producers still at the heart of the network? This question cannot be answered without first defining the notion of small producers. Now, we have seen that this can vary depending on the fair trade organisation and the agricultural or crafts sector and that implementation of the standard for the monitoring mechanism used reduces the possibility of adapting to local conditions whilst raising the question of producers moving into and out of the fair trade network.

1) Agricultural production In its definition of a “small” agricultural producer, FLO refers to the permanent use of “hired labour”. If this is not the case, the producer is regarded as “small” and therefore eligible for fair trade (FLO, 2005b). However, this definition does not take into account the different realities on the ground. For example, in India, agricultural assistance is often provided by families, referred to as “partners”, who do not earn a wage, but who live on the property and receive 20% of the harvest in lieu of a wage. In Bolivia, some cocoa producers use seasonal workers and sometimes a full-time employee. Therefore, there may well be conflicts in the future if the letter of this rule is applied, as it will exclude poor families who have partners or a hired hand. Should they be excluded on that basis? At the very least an agreement should be reached on the exact definition of “hired labour” in the rules.

Fair trade organisations working on the ground define small producers differently. AGROCEL and EL Ceibo use the amount of surface area owned as a guideline: a maximum of 7 hectares (17 acres) for the former, 2 hectares for the latter (given that on average families work 3 hectares of land). In fact, we have seen that Indian producers who own over 8 hectares of land (20 acres)55 show external signs of wealth (a more comfortable home, cars, tools etc) that set them clearly apart from other producers.

54 This is not a product label, but rather a label denoting accreditation to an association (organisations can include the mark on their labels in order to show that they are registered members of the association), which is particularly important for organisations which make products for which the FLO has not yet issued any specifications and who therefore cannot apply for the Max Havelaar label.

55 1 acre = 0.40 hectares.
As a result of negotiations between Southern and Northern producers, Southern fair trade organisations have a certain degree of flexibility when it comes to interpreting the notion of a small-scale producer, and, in the case of AGROCEL, admitting “bigger” producers (10% of cotton producers own more than the maximum amount of land allowed). Fair trade organisations (Traidcraft, Oxfam Magasins du Monde etc.) are aware of this and accept it, but this may not be the case in the future if this normative principle, after it has been converted into an FLO standard, is strictly applied and relations with these organisations take the form of inspections. This raises the question of the definition of specifications and their ability to adapt to different local conditions.

There is also the question of the consistency of the standards because the “fair trade” specifications for some commercial products apply not only to small producers, but also to plantations for which FLO has now established specifications. These plantations can receive the fair trade certification if their employees work under ethical conditions, are paid an ethical wage and benefit from a development fund financed by the payment of a premium. This has caused fair trade to move away from its initial aim of supporting small producers whilst allowing planters whose values and attitude towards solidarity have previously been criticised to enter the network. In addition, as stated by Smith and Barrientos (2005), this contributes to integrating fair trade into ethical trade.

Lastly, a number of other questions remain unresolved:
- **The status of seasonal agricultural workers**. In both Bolivia and India, for example, on farm holdings involved in fair trade the seasonal agricultural labourer is paid the usual local wage. The labourer in no way benefits from the advantages of fair trade, either in terms of specific working conditions or access to certain perks, such as health insurance cover.
- **Collaborative agricultural labour**, such as families lending each other a hand (in Bolivia this is called ‘Ayni’). Our studies have shown that, under this set-up, the work carried out by women is undervalued compared to that of men; for example, it is not uncommon for a man’s working day to be considered the equivalent of two working days performed by a woman (which tallies with the national statistics) (Charlier, Yépez and Andia, 2000).

2) **The craft sector** The notion of small producers is different in the craft sector. IFAT has published a definition that refers to “marginalised” producers rather than to “small” producers, without defining how these producers can be identified. Paradoxically, producer organisations that wish to join fair trade associations must also prove:
- Their ability to trade: two years of documented commercial activity, two years of legal existence; presentation of a statement of aims and documents (brochures, catalogues etc) giving information on their products and an endorsement from a member of IFAT.
- Their ability to produce in the quantities required by Northern clients; they are required to “provide consumers with high-quality fair trade products” (IFAT, 2005).

Max Havelaar adopts a similar stance in this respect in that its specifications for African cotton certification are dependent on compliance with a quality charter for agricultural products. This charter contains quality standards that promote practices similar to those in India and which modify, in the same way, the organisational structure and practices of producers (Interview, Max Havelaar, 2004).

The introduction of trade standards into the fair trade labelling process has meant that producer organisations need a commercial and marketing structure, which they had always previously developed after integrating the fair trade network; now it is a precondition to integration. The fair trade network cannot therefore be easily accessed by small producer cooperatives that do not yet have these capacities, thus creating a barrier to integrating into the market. This obstacle is even greater because producers often need administrative expertise in order to be able to meet the administrative requirements, which Southern producers, some of whom are illiterate, often do not have. Taylor (2002) notes that a cooperative of small-scale producers lost its "fair trade" accreditation as a result of administrative difficulties that would have prevented it from honouring its contract. This therefore strengthens the hand of the biggest producers (Raynolds, 2004). Max Havelaar acknowledges this implicitly because its representatives talk about “producers from the poorest regions, but not the poorest producers from these regions” (Interview, 2003). That is why some Southern fair trade
organisations get companies that specialise in international marketing to do their legal and administrative work for their export activities.

These preconditions to entering the network raise the question of who should train the producers wishing to join the fair trade system, as well as the issue of the long-term commitment involved. They also put another slant on the question of market expansion: should training be geared towards enabling new producers to enter the market, even if this means that the production methods of those with most market experience are used to help train up other producers? Or should training merely enable those with the most experience to develop their activities, even if this means, at some point in the future, that they will leave the fair trade market? Those fair trade actors from the North and South alike who stick most closely to the solidarity referential prefer the first option, the rest the second.

On the ground, the subjective way in which Northern inspectors evaluate the marginalisation and poverty of the producers is another consideration. For example, the “water collection” systems set up by AGROCEL and its NGO partners are having a beneficial effect; the countryside is becoming green again. This creates ambiguity because the richer, or rather the less poor producers, appear to have less of a need for aid.56

We have therefore seen that fair trade specifications have been developed in two directions. The fair trade network has expanded to take in planters, but at the same time fair trade standards for small producers have been made more stringent and, in the long run, it will no longer be able to interpret the normative principles of the solidarity referential depending on a particular situation and culture. In this respect, FLO’s work will also lead to a reassessment of whether there is scope to interpret other normative principles.

**Principle 2: paying a fair price and premium for community development**

As regards agricultural products, FLO certification requires the payment of a fair trade premium, on top of the “fair” price paid for the product, which is allocated to community development. Hence, there is a fair price, which is above the market price, to which a premium is added.

In reality, however, this double payment is not always made. This applies to AGROCEL in India; the supplement on the price paid for an organic product replaces the supplement paid for the “fair” price of the fair trade product, rather than both supplements being levied. The full supplement remains the same (8%) and there is no fair trade premium. An organisation such as AGROCEL is not opposed to the principle of the premium, but cannot bear the financial cost of it, as it has a low profit margin (7%). If the payment of the premium were to become compulsory, so as not to jeopardise AGROCEL’s survival, the cost of the premium would have to be borne fully by the Northern buyer. Once again a harmonised standard may contribute to excluding some producers or imposing an excessive constraint on them.

In addition, the standards stipulate that producers must contribute to managing the premium. At El Ceibo, following a decision taken by the General Assembly, the premium is paid into a social fund managed by the board. The management of the fund is monitored by the General Assembly, which passes on very little information to small producers, not all of whom are aware that the premium exists, but do know that they can have access to El Ceibo’s social fund. The fact that producers are

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56 And some visitors commissioned by fair trade organisations wonder whether they should really be part of the fair trade system. However, the end of famine does not signify affluence, especially when we see that it is not uncommon for ten or so people from an extended family (sons, wives and children living under the same roof) to live on the same farm. Incorporating cultural dimensions into the fair trade standards and developing an understanding of Southern partners is still dependent on discussion and establishing a direct link between Northern organisations and producer cooperatives.
Principle 3: Helping producers to set up as organisations.

We have seen that the existence of producer organisations is one of the main certification criteria for agricultural products and is central to the aims of the founding fair trade organisations. For IFAT, however, this is not a precondition for organisations wanting to use the Fair Trade Organization Mark. Some Southern actors are opposed to converting this principle into a binding rule. In fact, not all fair trade organisations have the same structure. There are producer organisations, but also private companies, NGOs, church-based organisations etc. which work closely with producers, even though they are not necessarily economic entities and may or may not have a share in the company’s capital.

FLO has, on occasion, acknowledged this fact by setting up, in India for example, a system of "promoting bodies" – i.e. bodies that market the products and train the producers. However, this is not a permanent system since these promoting bodies are asked to encourage the producers to set up as an organisation, to help the organisation become autonomous, whilst at the same time making sure that a formal contract is signed with the producers. AGROCEL is not opposed to the setting up of such an organisation, which in practice already exists since the farmers meet regularly under their auspices and already have a gentleman’s agreement with them, which in this region, according to all the producers we interviewed, signifies a genuine commitment. In this respect, compliance with fair trade standards is first and foremost a formality that does not sit well with the producers’ culture, but which does not pose AGROCEL any organisational problems. However, it is obvious that if the producer organisation were to become autonomous, it may well start to compete with AGROCEL on the cotton market. Can a company be expected to create competitors for itself?

On the ground, this concept is not necessarily to the liking of all the farmers we interviewed. Firstly, they are very independent-minded and do not necessarily want to join forces with their neighbours or gain expertise in marketing cotton. They prefer to focus on their farming activities. Secondly, even though they are not averse to the idea of creating competition between cotton buyers, they would rather this competition came from a new actor on the market.

Lastly, the fair trade rules relating to setting up organisations enable farmers to create a political and economic organisation that can enhance their empowerment, but do not always meet the expectations of all producers.

Principle 4: Empowerment of women

The status of women varies greatly from organisation to organisation. It is undoubtedly within craft organisations (where women are often a majority, especially in Bolivia) that the empowerment process, as we described it in chapter 2, is most advanced. However, some mixed organisations have been seen to be more willing to deal with the question of empowerment, either as a result of an internal debate (as is the case with El Ceibo, even though this still causes some difficulties, see chapter 2), or due to the demands of labelling bodies. Therefore, in order to comply with FLO requirements, Macefcoop created the post of Social Development and Gender Officer (S.D.G.O.), which has been filled by a woman, and has launched a study into the rural context at area level from the point of view of gender. The attention given to women’s issues within the cooperative can also be seen in the support it gives to programmes identified by and for women (see chapter 2).

Generally speaking, harmonising standards creates a risk of excluding the possibility of local empowerment, but it also enables farmers to create political and economic organisations that can enhance their empowerment, but do not always meet the expectations of all producers.
interpretations, which used to make it easier for Southern organisations to enter the fair trade network; at least that is the risk, if the leeway to negotiate rules in the South allowed by fair trade organisations is withdrawn as a result of the monitoring mechanisms required by the conventional market.

3.2. Taking into account trade requirements

The nature of North-South fair trade relations is also changing as a result of the conditions for market entry that are being imposed by the conventional market, especially long-term planning and reducing the number of intermediaries.

Principle 5: Establishing long-term relationships with Southern partners

This is being jeopardised by the way Max Havelaar operates and the behaviour of a number of Northern fair trade NGOs.

- **Max Havelaar.** Once they have received certification from Max Havelaar, Southern organisations are placed on a list of producers that Max Havelaar circulates to its Northern clients. For cash crops such as cocoa, the fair trade price fluctuates on the international market in parallel to the conventional market price. Max Havelaar’s Northern clients, irrespective of whether they operate on the conventional or fair trade market (Oxfam Wereldwinkels for cocoa, for example) then buy a product at the lowest fair trade price going and at the best moment for them. Given that producers are in different situations and charge different prices, some of them may be on Max Havelaar’s lists, but never get chosen as suppliers. In this event, it is no longer the producer that is of importance, but rather the price of the fair trade cocoa, which means that the long-term relationship with the Southern partner is no longer the priority criterion.

- **NGOs.** On the ground, Northern fair trade organisations do not always honour their long-term commitments, especially in terms of pre-financing, the cost of which is difficult to bear commercially speaking. Some distributors will not even consider the idea “I have always said to them (fair trade organisations) that pre-financing was a problem” (Distributor, 2003). The pre-financing is not paid, or not always received in time, which causes delays in purchasing the raw materials. Producers and organisations often complain about the lack of long-term planning on the part of Northern fair trade organisations.

Principle 6: Reducing the number of intermediaries and creating direct links with producers.

The fact that there are many different processing stages leads to an increase in the number of intermediaries working within the network. Although the fair trade system, working with cooperatives, succeeds in bringing together producers into groups and reducing the number of intermediaries in the South, that does not mean that Southern fair trade organisations deal directly with fair trade actors in the North. For example, cocoa processing requires such technical expertise that a good number of intermediaries have to be brought into the network: a marketing agent, a first-stage processing agent (chocolate paste, butter, etc.), a second-stage processing agent (chocolate batons, biscuits, chocolate chips, etc.) before the products arrive at the shops or in the homes of the consumers. Some of these intermediaries are extremely large concerns (for example, the Callebaut processing plant). Oxfam Wereldwinkels buys part of its cocoa from a list of producers bearing the Max Havelaar label without entering into direct contact with them. The fair trade certification label is therefore of considerable importance because it is the only way for Southern producers to integrate into the network. We are a long way from having a fair trade system that promotes short marketing chains, thus shifting the focus of the debate on Southern networks and intermediaries to the North.

As a result of this, Oxfam Wereldwinkels has started to use the Northern cocoa supply chain, again by calling on the services of its European partners. It now purchases part of its cocoa from European fair trade organisations that work directly with Southern producer organisations (e.g. GEPA in Germany)
and is looking to consolidate this type of relationship in the North. This will refocus priorities on the need to establish long-term relationships with Southern partners, but will probably rekindle the problems relating to taste, which have already been mentioned earlier.

We can therefore conclude that although taking into account the demands of the conventional market leads to the opening up of markets and increases the number of sales opportunities, it also makes it more difficult to interpret the fair trade normative principles, the toughening up of which can cause cultural and expertise problems in the South. Consequently, certification and labelling bodies run the risk of being perceived as a new means for the North to impose its practices on the South. This risk is increased by the fact that changes to the socio-technical networks have been accompanied by changes to trade relations and a shifting of the financial cost of exports from the North to the South.

### 3.3. Financial constraints

Modifications to the Southern fair trade network go hand in hand with changes in North-South ties, not only in terms of compliance with Northern quality and trade standards, but also in terms of financial flows. Implementing many of these changes is costly for Southern fair trade organisations that, as was mentioned earlier, have to pay for the necessary new tools and training. In addition, there is also the imbalance caused by the costs of fair trade certification, other certification labels and the travel costs of inspectors.

**Cost of fair trade certification**

FLO decided to end its association with the labelling organisation Max Havelaar because it was not advisable for there to be any ambiguity between the bodies that create the specifications (a process which alternative trade shops, such as Oxfam Magasins du Monde, are involved in) and the bodies that certify compliance with the specifications. This ambiguity had also been criticised in a number of papers on fair trade. In this respect, Whatmore talks about legitimisation via a hybrid form of the network (Whatmore and Thorne, 1997) and Blowfield raises “problems of independence and objectivity when it comes to what can or cannot be declared ‘fair’” (Blowfield and Gallet, 2000).

Max Havelaar thus broke away from FLO and recently changed its status from an NGO to a private for-profit company that has to find its own clients. We believe that this change of status has influenced Max Havelaar’s labelling practices. Firstly because, as we saw in chapter 1, the fact that it has to find its own clients must have a bearing on how it negotiates certain principles from the solidarity referential (the case of GMOs). Secondly, because labelling, which used to be paid for by Northern fair trade organisations in order to aid the development of Southern communities, is now paid for by the producer organisations, which has contributed to the “commercialisation” of North/South relations.

The cost of certification depends on whether it is the first certification (Table 5) or a renewal, in which case FLOCERT charges an annual fee that is calculated on the basis of the volume of products sold under the Fair Trade label, with a minimum charge of 500 euros even if no products are sold (Table 6).
Table 5: Cost of FLO certification

The cost of initial certification depends on the number of producers or agricultural labourers (full-time or seasonal) in the organisation.

<table>
<thead>
<tr>
<th>Number of workers</th>
<th>Plantations</th>
<th>Cooperatives</th>
<th>Cost of initial certification (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cat. A</td>
<td>&lt; 500</td>
<td>&lt; 500</td>
<td>2000</td>
</tr>
<tr>
<td>Cat. B</td>
<td>&gt; 500</td>
<td>&gt; 500</td>
<td>&lt; 10</td>
</tr>
<tr>
<td>Cat. C</td>
<td>&gt; 1.000</td>
<td>10-30</td>
<td>3600</td>
</tr>
<tr>
<td>Cat. D</td>
<td>31-100</td>
<td></td>
<td>4400</td>
</tr>
<tr>
<td>Cat. E</td>
<td>&gt; 100</td>
<td></td>
<td>5200</td>
</tr>
</tbody>
</table>

Source: FLO, 2004

Table 6: Cost of renewing FLO certification. Calculated on the basis of the volume sold.

<table>
<thead>
<tr>
<th></th>
<th>€/kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>0.015</td>
</tr>
<tr>
<td>Cocoa</td>
<td>0.01</td>
</tr>
<tr>
<td>Sugar</td>
<td>0.005</td>
</tr>
<tr>
<td>Honey</td>
<td>0.01</td>
</tr>
<tr>
<td>Rice</td>
<td>0.005</td>
</tr>
<tr>
<td>Tea</td>
<td>0.01</td>
</tr>
<tr>
<td>Fresh fruits</td>
<td>0.005</td>
</tr>
<tr>
<td>Fruit juices</td>
<td>0.01</td>
</tr>
<tr>
<td>Dried fruits</td>
<td>To be decided</td>
</tr>
<tr>
<td>Cut flowers</td>
<td>To be decided</td>
</tr>
<tr>
<td>Sports balls</td>
<td>To be decided</td>
</tr>
</tbody>
</table>

Producers who do not manage to sell any products on the fair trade market pay:
1. 500 euros over the course of the first two years following certification.
2. An amount equal to the cost of initial certification for subsequent years. Source: FLO 2004

This change has a considerable impact on producers. An Indian representative mentioned to us the sum of US$ 8000 for certification of an organisation of tea producers, which is equivalent to its annual production costs. This can force a company out of the market and, even when this does not happen, is seen in a very dim light, as it forces prices up and makes products less competitive: “These bodies are empty shells that have no turnover, while at the same time there is increasing pressure on the network. They are structures that operate on the basis of subsidies or revenue from members, but I think they ask for too much. They tell us that they are going to increase contributions, even though this increases our cost price. Basically I have two options: either I accept the increase in contributions and lower my profit margin, or I increase the sale price. ...Some flexibility! ...” (Indian exporter). The tables showing the cost of certification are no longer to be found on the FLO’s website, but the costs remain.

Cost of other labels and certifications

When Southern fair trade organisations join other quality-based networks, such as organic or ethical networks, additional costs, on top of those linked to fair trade certification, are incurred which can, according to the people we talked to, amount to thousands of dollars. In this respect, the European organic market has particularly complicated rules. Even though Community law allows a product that is recognised as organic in one member state to be sold throughout the European Union, the country-specific labels do not have exactly the same specifications or the same reputation: Biogarantie in Belgium, AB in France, Blue Angel in Germany, etc. Since each national certification body charges for its label, producer organisations are forced to focus their efforts on a small number of countries and
will place their trust in the reputation of a single label. For example, as regards cotton, the Danish label SKAL has a fairly strong reputation in the Benelux and Great Britain. AGROCEL therefore chose this certification. The fact that Biogarantie/Probila recently created specifications for organic cotton in Belgium does not seem to have had any effect on the situation. The cost of organic certification, which is borne entirely by the producer, sometimes used to be paid for out of the higher profits made through fair trade (Robins et Roberts, 1997; Taylor, 2002; Raynolds, 2004), which is no longer always possible if Southern bodies request certification by Max Havelaar and have to pay for it.

The cost of a double certification (or a triple certification in the case of processed goods) is therefore an obstacle for many producers and limits the number of organisations able to obtain certification. “If we ask for both, we further reduce the number of plantations that could potentially access the market because the plantation is required to pay for the organic certification as well as the fees for the Max Havelaar label. Therefore, if we say to someone that they have to have the organic and the Max Havelaar label, they might be able to pay for that, but you can be sure that others will have difficulty doing so” (Distributor, 2004). In India, organisations, such as Maikaal Rajlakshmi Ltd, have decided to invest several hundred thousand dollars in building a processing plant where all the production stages can be performed in compliance with European standards, which, according to its managing director, would be very difficult to achieve with its current production structures (Interview, 2005). Not all Southern fair trade organisations can afford to invest as much.

In response to the cumulative costs of certification, some Southern organisations set up local certification bodies for organic farming and the monitoring of social standards. These organisations are pushing for the creation of national organic specifications and want to get the North to recognise their bodies. This is the case with El Ceibo in Bolivia, which works with BOLICERT, the body that carries out inspections and awards the organic label. In India, International Resource for Fairer Trade (IRFT) acts as a social auditor and is looking to get accreditation to act as an organic inspection body, but is still in the teething stages of its development.

Paying for the travel and hotel expenses of inspectors is an extra cost within the certification procedure.

Footing the bill for certifiers is a burden that Southern organisations increasingly complain about. Whether they are sent by Northern fair trade organisations, Max Havelaar or organic agriculture bodies, the inspectors often live in the North and their travel and hotel costs are paid for by Southern organisations. The stream of visits – as well as those paid for various researchers – is never-ending and is costly and time-consuming for producer organisations. A Southern organisation told us how, within a short space of time, three people from the same fair trade certification office visited them. They did not understand why these people could not have just exchanged information. This type of behaviour exasperates producer organisations, who end up limiting the number of visits, banning them or charging the inspectors top whack. Some Northern fair trade organisations, being aware of the problem, have decided to exchange information obtained on the ground and to coordinate their work (Interview, Oxfam Magasins du Monde, 2005). Finally, the issue of inspectors also raises the problem of training and recruitment of staff capable of auditing both criteria.

Conclusion

Taking into account the demands of the conventional market leads to profound changes in the Southern fair trade network, with new actors and new mechanisms helping Southern producers to make the necessary changes to their production practices. This process causes both North/South tensions and tensions amongst actors operating in the Southern network. It leads to a restructuring of the normative principles of the solidarity referential that takes greater account of market constraints. In particular, the principle of doing business with the most underprivileged is challenged by actors on

58 For example, SEWA in India, now requires visitors to pay for all of the costs of their stay, as well as a per diem of 15 000 INR (283 €).
both the conventional and fair trade markets, since the poorest and most marginalised producers can no longer comply with the standards of international markets both in terms of product quality and compliance with trade requirements. Women appear to be particularly affected by this process: in Latin America, women who do not belong to fair trade producer organisations find it harder to follow training courses enabling them to improve the quality of their products, which means that their products are no longer up to scratch. These women are thus marginalised within their own national (and local) conventional markets. Conversely, plantations employing thousands of workers are now allowed into the networks, which runs counter to the original principle of placing the small producer at the heart of the process.

Exclusion can also occur as a result of a general increase in the level of requirements that have to be fulfilled in order to enter the fair trade market. Producer organisations have to have acquired a certain amount of expertise and have a sufficiently solid financial base to be able to cope with the expansion of the network to include processing, whilst at the same time bearing the additional costs of modifying the network, especially the cost of the various certifications.

These changes raise the issue of producers moving into and out of the fair trade network: at some point in time, should the long-term commitment towards producers who have become autonomous be ended so as to be able to focus the fair trade project on helping other populations or should the network continue to work with these producers? The answer depends on one’s attitude to the principle of long-term commitment and what type of agriculture fair trade wishes to promote in order to support the development of the South, especially family-based agriculture. They also raise the question of the link between fair trade and ethical trade and the blurring of the two, which is denounced by some organisations, but which the specifying of standards in fair trade has contributed to.

In addition, the principle of the long-term, direct relationship between the North and the South is becoming increasingly difficult to implement due to the expansion of the networks, which fair trade labelling, amongst other things, has contributed to. Finally, other principles, such as the existence of producer organisations or attempts to bring fair trade and organic agriculture closer to each other are sometimes challenged. To our mind, two main factors are contributing to these developments: on the one hand, the different stances of those who are specifying standards for fair trade (for example, IFAT makes no mention of the issue of setting up a producer organisation, whereas FLO does); on the other hand, the trade constraints caused by the requirements of the labelling bodies, who, in their new capacity as private companies, must find their own clients and therefore negotiate the application of the specifications, and sometimes even the specifications themselves.

Finally, the application of these rules within North/South relations, the specifications and the inspections are a considerable burden on Southern organisations and heighten tensions between Southern and Northern cultures and practices, which fair trade organisations had always sought to manage through long-term negotiations. Southern actors adopt a flexible approach, sometimes gearing their actions towards the fair trade network, whilst focusing at other times on social and economic relations within the local network, which sometimes gives them greater security.

At stake is the maintenance of a balanced trade system that benefits the South within an increasingly large network which not all the new actors are fully integrated into and the impact of turning normative principles into standards: what leeway is there for implementing standards in the South? Which standards would be non-negotiable, which ones would become the “pillars” of the system, without which fair trade would be transformed into ethical trade?
General conclusion

In concluding the results of this research, we run the risk of making generalisations: the data on the situation in the North comes from one country, and is based on just a few cases for the South. The summary that follows must be understood as an attempt to describe trends and to suggest possible consequences. The changes taking place in fair trade are without doubt too complex and varied to be fully accounted for here. However, we believe it is worthwhile and relevant to at least highlight the opportunities and risks arising from these changes.

1. A referential in crisis

The growth of fair trade, albeit modest, signals both success and crisis. This quantitative growth, which we have referred to as an expansion of the markets in this paper, has in fact resulted in qualitative changes. First of all, it has led to the arrival of new actors as result of the emergence of new networks and the integration of products into conventional mass distribution channels. These phenomena are not fundamentally new, but they have intensified recently, as shown by the heightened competition between fair trade networks. Secondly, it has led to the emergence of networks that claim to be in the business of fair trade, but who distance themselves from fair trade rules, or that claim to be in the business of ethical or responsible trade, which is leading to the watering down of the rules and a slackening off of Northern actors’ commitments towards Southern partners.

This quantitative growth has also had a structural impact. When their products are sold through conventional channels, fair trade organisations must adopt conventional market practices and standards and comply with quantitative, qualitative and trade requirements or at least negotiate their application in order to make them compatible with their own practices and interests. Adapting to the greater quantitative and qualitative demands of these markets also requires the South to adopt more differentiated and specialised, i.e. more professional, forms of organisation. We are also witnessing an expansion of the networks, which is a typical development in successful economies.

This expansion of the networks, as we well know, makes the cost of entering the network higher, strengthens the hand of the bodies in charge and leads to a more standards-based system, insofar as direct negotiation is replaced by technical and verifiable rules. It also brings in new actors in charge of new functions, such as design, marketing, coordination and controls.

This success also manifests itself through the arrival of new consumers, who are not the well-informed people that shop at Magasins du Monde and who are committed to the fair trade ideal, but rather consumers from conventional markets, whose demands range from the purely mercantile to the charitable, rather than the militant. These less well-informed consumers are less demanding in terms of the social aspects of fair trade, which they confuse with the social aspects of ethical trade, i.e. compliance with ILO rules. As well as expecting non-material fair trade qualities from the products, these consumers also want to see very specific material qualities in terms of taste, solidity or fashion, etc. and they compare fair trade products with certain products from the conventional and ethical trade markets. Paradoxically, they also expect there to be a personalised link – mainly of a charity-giving nature – with the producers as a result of their purchase, a link which, through maintaining its presence on the conventional market, is a new challenge for fair trade organisations. All these developments have an impact on the referential linking Northern and Southern actors.

In terms of rules, we have seen that the “politically-inspired” normative principles, the aim of which was to bolster the economic and social autonomy of small producers – priority given to working with small producers, training for producer organisations, pre-financing, payment of a supplementary premium, fair prices, long-term commitments – are being challenged or disregarded by some new actors – obviously to different degrees depending on the actor. In addition, the normative premises for contesting the way in which trade is organised – and even world capitalism as a whole – which aimed at reducing the number of intermediaries, i.e. at establishing as direct a link as possible between the
producers and the consumers, have in practice been eschewed as a result of the expansion of the networks following integration of the conventional trade system, which is no longer regarded as the “enemy” it used to be.

As well as this, market growth has raised problems that the solidarity referential had not “foreseen”. These values are really designed for basic products, small marginalised producers, small farming, and never envisaged the issue of processing activities in the South, or the case of craft or semi-industrial companies, or even the more general matter of salaried work. These rules raise the question of the relationship between fair trade and ethical trade. We can therefore say that there is a risk of fair trade being subsumed by ethical trade or of a watering down of the normative principles.

These changes also seem to impact on the basic premise of fair trade, which is being transformed from a means of achieving development into the actual embodiment of development (Trade is development), which in turn is considered to signify integration into the world market. This semantic change influences the values guiding the reference framework. For example, while once an objective in its own right, producer autonomy is now starting to be understood to mean the capacity to negotiate; solidarity and the rebalancing of North/South trade relations are being interpreted less stringently and are offset against the entrepreneurial spirit of producer organisations.

An important aspect of these transformations is the emergence of fair trade networks that are independent from founding NGOs and fair trade channels.

The success of fair trade can be seen through its internationalisation. This brings with it the need – which is heightened by the effects of competition – to set specific standards at international level, i.e. to establish harmonised rules for the networks and create control mechanisms (certification and quality labels) that are based on the certification systems in other sectors. This setting of specific standards has also been called for by traditional fair trade actors (NGOs) who want to avoid seeing the fair trade concept watered down. There is therefore a sort of paradox between the tendency to water down fair trade rules and the desire to set more stringent standards.

As a consequence, we foresee the emergence of a new type of referential, which we have termed “market-oriented” values and which are compared with the solidarity referential in table 7. The “fair” nature and the quality of the product will play a central role, while North/South relations will become subject to defined standards and the political aspect of fair trade will be phased out, leading to what we have termed a transition from an approach centred on the quality of relations with the South to a product quality-oriented approach that enables producers to enter the conventional market.
Table 7: Comparison between the solidarity referential and the market-oriented referential.

<table>
<thead>
<tr>
<th></th>
<th>Solidarity referential</th>
<th>Market-oriented referential</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Values</strong></td>
<td>North/South trade “Trade not aid”. Trade is just one of a number of development strategies</td>
<td>Trade is development</td>
</tr>
<tr>
<td></td>
<td>Solidarity and fairness</td>
<td>Impartiality/Equal footing for all</td>
</tr>
<tr>
<td></td>
<td>Autonomy as an end in itself</td>
<td>Autonomy seen as the ability to integrate into the conventional market</td>
</tr>
<tr>
<td><strong>Normative principles</strong></td>
<td>Social: poor small producers and organisations</td>
<td>Poor regional producers in the South who are not necessarily organised</td>
</tr>
<tr>
<td></td>
<td>Improving living and working conditions</td>
<td>Complying with ILO rules</td>
</tr>
<tr>
<td></td>
<td>Fair price and premium</td>
<td>Price supplement in a competitive market</td>
</tr>
<tr>
<td></td>
<td>Pre-financing</td>
<td>Not always carried out</td>
</tr>
<tr>
<td></td>
<td>Long-term commitment</td>
<td>Contract</td>
</tr>
<tr>
<td></td>
<td>Direct relationships with producers</td>
<td>Relationships based on specific criteria and controlled by third parties</td>
</tr>
<tr>
<td></td>
<td>Integrated, or even organic, agriculture</td>
<td>Integrated farming</td>
</tr>
<tr>
<td></td>
<td>Working with small-scale marginalised producers</td>
<td>Possible to work with plantations and producers who are already well-organised</td>
</tr>
<tr>
<td></td>
<td>Lobbying</td>
<td>No political activity</td>
</tr>
<tr>
<td><strong>Image</strong></td>
<td>Intermediaries seen as a factor in trade inequalities</td>
<td>Intermediaries have an organising role</td>
</tr>
<tr>
<td></td>
<td>Capitalism seen as something to be combated</td>
<td>Regulated fair trade market</td>
</tr>
<tr>
<td></td>
<td>Cooperative</td>
<td></td>
</tr>
</tbody>
</table>

These changes are obviously also welcomed by some Southern players who wish to increase the number of outlets for their products. But what are the possible consequences?

2. Restructuring the South

These developments bring with them both opportunities and risks. The opportunities are obviously of an economic nature and come in the shape of greater access to different markets. There are also socio-cultural and organisational opportunities, since organisations set up in the South have the opportunity to develop their skills base and know-how, or even to become economic actors in their own right on their own markets, or develop a local market or even a capacity for international activity. Under certain conditions, this creates actors who are perceived, or perceive themselves, to be capable of entering conventional markets. This obviously constitutes a step forward, although it is probably only feasible in a few cases.

However, we believe that the effect of fair trade in the South cannot be reduced to economic benefits. The opportunities afforded to Southern players by fair trade vary greatly: in some cases, such as Cameroon which our study focused on, it has brought not only genuine access to the market thanks to the capacity for action acquired there, but has also led to the creation of a real local development project aimed at securing greater autonomy for the local coffee market. In some cases, and here we mean some of the studies carried out in the handicrafts sector in the Bolivian Andes and in the Indian region of Kachchh, it has provided basic means of survival for geographically isolated and extremely marginalised actors. In other cases, it is necessary to highlight the importance of environmental or social considerations insofar as fair trade projects have a particular impact on non-economic factors,
such as poverty or under-development. We therefore think it is vital that fair trade continues to serve “local” development projects and does not become a simple trade development project.

The movement of fair trade towards a market-oriented referential also contains risks.

One of the main consequences of the changes to the referential is that Southern networks are being restructured so that they comply with market standards and meet the expectations of Northern consumers. Compliance with quantitative and qualitative standards, the question of production deadlines and permitted margins of error are bringing about profound changes to the structure of Southern fair trade networks and the way in which producers and their organisations work. This transformation is demanding. Many organisations that want to increase their sales decide to comply with these new standards. They are especially willing to accept them because, in their eyes, they do not contain the critical political judgements that the founding organisations in the North used to make and because they incorporate fair trade into development projects and an approach that they identify with. Producers, for their part, also want to sell their products in order to survive or develop and are often unaware of the principles of fair trade. The transition from a solidarity-oriented referential to a market-oriented referential would therefore only cause technical difficulties, such as adapting to new practices and integrating grassroots producers into the network.

However, we have seen that the transition from negotiated relations with the North to a system under which the North controls Southern activities through the establishment of specifications leads to the exclusion from the market of the most marginalised producers who are unable to adapt to the new conditions. For example, when it comes to the production capacity and know-how needed to export goods, fair trade organisations will tend to work with producers that already have an organisational structure rather than with the most marginalised producers or will award fair trade certification to plantations that employ thousands of workers, while the notion of a fair price is sometimes reinterpreted to mean a supplement on top of the conventional market price and contracts are preferred to long-term commitments.

This transition also does not take into account the diversity of cultural contexts and imposes rules that correspond to a moral, unilateral Northern-oriented approach, which is not always compatible with the lifestyles and development needs in the South. The example of child labour is a case in point. In the South, as used to be the case in rural areas across Europe, child labour is essential; it is sometimes the only way a family can survive and banning it can have harmful consequences. For example, according to the people we interviewed, as a result of the banning of child labour in the carpet making industry in India, thousands of young Indians ended up in prostitution rings. Fair trade takes this reality into account by opposing the exploitation of children, rather than child labour, and by operating on a case-by-case basis. This case-by-case approach will no longer be possible if rules are harmonised.

Lastly, the growing need for products to be certified has led to higher costs for Southern producers, which can also lead to their exclusion from the market. On top of this, there are also the additional costs of conforming with other specifications (organic, ethical), as well as with legislation in the North. A North/South imbalance therefore seems to be reappearing within the fair trade system, not in terms of trade flows – which are increasing – but in terms of decision-making over design and rules implementation. This imbalance could be partially offset if Southern organisations were given a joint stake in Northern certification and labelling bodies and if expert evaluation and inspection work, which is often monopolised by and concentrated in the North, were relocated to the South.

3. The fair trade/organic trade relationship

The change in the referential also has an impact on developments in organic agriculture. Though the solidarity referential cite organic agriculture as an objective, we have seen that the basic specifications for organic agriculture, such as a ban on GMOs, can be negotiated if need be. However, in our experience, this happens infrequently: in terms of standards to be achieved, organic agriculture is still the benchmark. However, when specifications for organic agriculture in Belgium concern products
that have been cultivated and processed in the South, they take into consideration the social conditions under which they were cultivated and transformed and are similar to fair trade criteria, but are verifiable, which is common for this type of certification, rather than negotiable.

Commercially speaking, when actors on the organic market decide to move from a product-based certification to a shop-based certification - which is less costly for them - they are unwittingly taking inspiration from the model used by Oxfam Magasins du Monde, whose name guarantees that the approved products have been made under fair conditions. At the same time, fair trade actors, like organic trade actors, are trying to increase the number of certified products (bearing a label) in order to open up new market opportunities for Southern products, especially through mass distribution chains. We also note in passing that there seems to be very little coordination between fair trade bodies and organic agriculture bodies in Belgium.

In the South, the situation is not quite the same. While some fair trade organisations focus exclusively on organic production because this agricultural method is fully consistent with their culture or because it enables small producers to reaffirm their independence from large phytosanitary companies and keeps a cap on their debt levels, others regard this method of farming as a market opportunity that will give them access to markets for quality products in the North and will thus enable them, thanks to this additional outlet, to obtain a higher price than on the conventional market. Fair trade, however, is regarded by some organic producers as a potential additional certification and an opportunity to receive financing for their conversion to organic production and compensation for the fall in profitability as a result of this conversion.

As regards consumers, the results stemming from the research groups have raised a number of issues. First and foremost, there is the question of the understanding and credibility of organic agriculture when, like fair trade, it targets a new type of consumer, in this instance fair trade consumers. We noted some misunderstanding as to what organic agriculture actually is, especially when it comes to products that are not intended for oral consumption, and incredulity at certain statements that showed a lack of knowledge of the natural elements, especially the role played by the wind and the rain in potential cases of contamination. That said, fair trade products are never imagined to be synthetic; whatever the reason for consumers buying fair trade products (charity, solidarity, the market), the environment these products are perceived to come from is a natural universe that minimises pollution and is GMO-free, which suggests that the current normative principles of fair trade are compatible with consumers’ expectations of these products.

4. Women’s empowerment

Our study has shown that there are many opportunities for women who are involved in the work of fair trade organisations. They are not just economic in nature, but also provide them with a degree of empowerment or autonomy and an ability to negotiate their place in society and discuss gender relations. Having an income, apart from providing them with money (and the opportunity to provide for their families’ needs), gives women visibility within their families and their societies, thus enabling them to be recognised both as people and economic actors in their own right. The fact that they have an income changes the balance of power within the family and gives women greater scope for negotiating with their husbands.

Fair trade organisations, and more specifically women’s associations, provide places where individual training can be given. Our studies show very clearly that it is important for women to have somewhere to go to get out of their homes (and escape their isolation) and where, above all, they feel comfortable and can learn to express themselves and “get over their fears” (their shyness). These places become areas of self-experimentation and self-development, where women can gain confidence in themselves and acquire dignity. The economic organisation is therefore a springboard enabling some women, with the encouragement of the rest of the group, to get involved in other more militant social and/or political fora within their community or on a larger scale (fora that were initially off-limits to them).
For example, in Bolivia, women are starting to achieve a presence in traditionally male-dominated bodies such as the local council or the trade unions. Thanks to the training they have received from their respective fair trade organisation, they have been able to develop expertise, thus helping them to gain the trust of their fathers or husbands, who may even ask them to represent them. In other cases, they will defend their specific interests on behalf of the women’s group they belong to.

Our study shows that empowerment is particularly real since women have set up areas that are essentially their own. For example, the female-dominated crafts sector offers women greater opportunities for empowerment than the farming sector, which is mixed but mainly run by men.

The level of training received within fair trade organisations varies greatly from basic training (learning to read and write) to technical training that enables women to acquire business expertise as well as improve the quality of their products (crafts, agricultural products, etc). Women therefore gain expertise that, in some cases, enables them to move to other professions that are less demanding and more profitable. As well as allowing them to develop their technical and business expertise, several women highlighted the kudos they have acquired in the eyes of their children, families and neighbours since taking up managerial posts within their economic organisations. Finally, economic organisations are also an opportunity to develop a social network of people that women can turn to when necessary, especially if they need someone to look after their children.

However, although we noted a number of opportunities for women to increase their autonomy and scope for negotiation, this is not achieved without some difficulties and sometimes impacts negatively on their quality of life. Very often the organisational requirements of the international market (and their deadlines) mean that women have to work very long days, on top of raising a family. For example, in order to complete an order for handicraft products on time, the whole family will have to work until the early hours of the morning. Moreover, although training can be perceived as a means of achieving personal development, it can also be regarded as a constraint and an additional burden on top of the already overly long working day, but one that is necessary in order to contribute to the organisation. Certification can therefore be a cause of exclusion; some women cannot meet the requirements and are thus excluded from the group. It is no longer solidarity, as well as personal and collective development that are the central aims of fair trade organisations, but rather their ability to meet the technical and commercial requirements of the conventional market.

Lastly, the emergence of women in the economic sector raises the question of male identity and the man’s role within the family and society. Although women have managed to persuade their husbands to relieve them of some of the tasks associated with raising a family, men are still putting up considerable resistance in this area due to the attitudes of society, which are evolving more slowly. Finally, it is women who are often left to look after their children and parents (-in-law) etc. In terms of our research, we can only raise the question of the loss of male identity in the face of female empowerment, as a whole research project could be devoted to this topic.

5. The pillars of fair trade

A large proportion of consumers have considerable ethical expectations of companies and the products they market. They want the ethical quality of the product to become an element of its added value, and therefore a facet of its marketing strategy, thereby proving that fairness is a marketable opportunity. There are increasing numbers of ethical trade companies that place their products on the same segment of the market as fair trade products, using a similar type of communication strategy, thus contributing to a blurring of the two types of trade. This confusion is, in our opinion, exacerbated by two factors. Firstly, the results of our consumer group studies seem to show that non-militant consumers lack a real understanding of fair trade and are unable to distinguish it from ethical trade. Secondly, fair trade should now be linked to ethical trade since it is moving away from the export of unprocessed products or handicrafts to the North and is starting to market goods processed semi-industrially in the South, whilst at the same time incorporating ethical trade rules into its own specifications when it does business with plantations.
The question is whether fair trade has any distinctive normative principles that form the “pillars” of the system and that would enable it to continue its inevitable development within the conventional trade system whilst maintaining its specificity. In terms of this research, we have a number of remarks that could contribute to this debate.

Our study of the new ethical trade labels has shown that the companies that use them focus only on the business transaction and avoid all forms of commitment other than those stipulated in the contract: long-term commitment (for example, in terms of pre-financing); commitment towards a specific community in a specific location (for example, the development activities tend not to be carried out in the community from which the products were bought), and the specifications tend to be defined unilaterally. Now, our analysis of the South has highlighted the importance of maintaining scope for negotiation between actors, which is needed if companies are to adapt progressively and in a flexible manner to the cultures and approaches of local organisations; this entails incorporating fair trade projects into a more autonomous local development project. Consequently, we would call for these normative principles – long-term commitment to non-business-oriented development projects defined by the communities themselves, maintaining the possibility to negotiate rules – to remain at the heart of the fair trade referential and practices.

That leaves the question of a legal framework for fair trade – which is endorsed by fair trade organisations that are faced with competition from the ethical trade sector – and, especially, the terms of the relationship between fair trade and ethical trade regarding the processing of agricultural products.

Such a framework will only be possible if the specific identity of fair trade is preserved, which means good communication with the consumers and a strong assertion of the differences between fair trade and ethical and responsible trade. This will be a difficult task since it will entail establishing framework rules for North/South relations rather than product-based rules (the experience of the social label was a failure for example) or rules limited solely to defining the nature of the business transaction.

There is also the question as to whether fair trade can continue to pursue its objective of challenging international trade relations (at the same time as it is further integrating into the conventional market) by proposing, for example, a reworking or a reinterpretation of the rules of this market. A way of doing this was indicated by the focus groups we interviewed.

Firstly, these consumers question the ethical values of the trade practices that concern them, especially the transparency of price management and price structure, which NGOs also contest. Complete transparency of prices and accounts, as advocated by the French NGO Azimuts, means that the distribution of the added value and the profits between the North and the South can be ascertained. This provides a means of challenging both “social washing” and opportunistic ethical specifications, as well as the prevailing trade inequalities within the conventional market. No Belgian-based fair trade association offers full transparency, but we believe this is a possible means of better controlling networks.

Secondly, the question of relocations and the type of structures and organisations in the North and the South that should be supported in their fight against the hegemonic ambitions of large groups should be raised. Support for family-based farming and small craft enterprises or processing firms is another of the suggestions made by the focus groups and some NGOs, such as Oxfam International. This would require a reassessment of the involvement of large-scale plantations or a number of large industrial groups in companies whose products could bear the fair trade label. In parallel to this, there is also the question of the development strategies of fair trade NGOs. Are they also going to set out to conquer new markets in Belgium or abroad and, like any other business, aim to grow at any cost? Or will they seek to make profits without necessarily moving up a scale, thus accepting the intentional limit set on the size of their market and seeking instead to establish forms of cooperation with other actors?
We believe that these questions are relevant since we have seen that a company like Max Havelaar has been willing to forsake a number of the normative principles of fair trade in order to enhance its development and position as the only fair trade labelling body while, in Belgium, organisations that are not traditional fair trade players, such as Stof en Aarde or Mala India, have deliberately limited their growth, refuse to receive subsidies and marketing services and have registered themselves as socially-oriented businesses, thus establishing for themselves a niche outside the conventional market.
Recommendations

On the basis of the comments made of above, we can make the following recommendations:

1. **To Belgian politicians**
   - Draft a bill aimed at giving a legal definition to the concept of fair trade. This law should aim to define the specific nature of fair trade and especially the rules concerning commitments towards Southern partners (long-term commitments, providing scope for negotiating rules, projects that are not solely commercial in nature). This is essential if we are to avoid confusing or deceiving consumers and also because the law will provide a reference framework for public procurement awarding bodies when it comes to setting fair trade conditions. What is more, the existence of a law in Belgium will undoubtedly strengthen Belgium’s negotiating hand at European level.

2. **To state bodies in the development sector (DGCD, BTC**59**)**

   **General recommendation**
   - Support fair trade as part of a broad development strategy that is not limited to market expansion.

   **In Belgium**
   - Play a role in redefining the currently unused Belgian social label by recommending that it be applied to production sites rather than products and by funding expert evaluation missions in the South.
   - Improve consumer communication/information with a view to enhancing the reputation of fair trade.

   **With regard to the South**
   - Support the development of fair trade organisations or projects:
     - by making it possible to process new products in situ, whilst bearing in mind the issue raised by consumers as to whether this stage in the production process can feasibly be relocated
     - in the crafts sector, too, even though turnover is low, as this sector contributes to community integration, female empowerment and cultural affirmation etc.
     - that allow for the enhancement of female empowerment.
   - Support and give consideration to extremely marginalised producers.
   - Encourage the creation and recognition of fair trade certification and control bodies in Southern countries, in particular by contributing to staff training and the financing of structures. This will enhance the autonomy of Southern countries and ease their financial burden.

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59 Direction Générale de Coopération au Développement; agency for Belgian Technical Cooperation
3. To fair trade organisations

General recommendation

- Reposition their activities within the framework of a solidarity referential by reassessing their expansion strategies and their pricing policy in relation to the political objectives of fair trade, where these exist.

As regards the North

Awareness raising and communication

- Raise awareness about unfair North/South trade conditions and the reality on the ground for small Southern producers.
- Focus communication activities regarding non-food organic products on the social dimension, which is easier to understand. Work with organic farming bodies with a view to launching joint information campaigns about organic farming and fair trade standards, explaining, for example, the social and environmental cost of the use and ingestion of pesticides.

Development of products and sales outlets

- Look into developing compound products that use fair trade ingredients and products from family-based farming in the North.
- When developing products, bear in mind the pace of production and workloads in the South.
- Develop new sales outlets for handicraft products, clothing and other cotton products.
- Develop the supply of textile products other than clothing (household linen, for example) because clothing is a seasonal sector where the purchasing behaviour of consumers is very different to that for other products.
- Be aware of the loss of credibility that could be caused by developing products that carry the fair trade label, but whose main ingredients are not fair trade ingredients.

A plea to politicians

- Be mindful of unfair international trade agreements that specifically affect fair trade products.
- Clarify their stance regarding the debate on ethical/fair trade, especially in relation to the issue of plantations and the question of ‘social washing’, which large companies that market fair trade products are guilty of.

Relations with other actors

- Establish regular contact with the representatives of organic agriculture in Belgium.
- Think about the question of respect for social conditions in the North. Does North/North fair trade exist?
- Look at the ways in which the issue of developing added value in the South is linked to the question of relocations in the North.

As regards the South

- Maintain sufficient scope for negotiating fair trade rules, so that Southern players can enter the EC market without having to abandon their cultures.
- Be aware of what development means to Southern actors and how they wish to achieve it.
- Work towards maintaining direct contacts with producers.
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Coordinadora de Integración de Organizaciones Económicas Campesinas de Bolivia (CIOEC), Bolivia, http://www.cioecbolivia.org
Belgian Clean Clothes Campaign, http://www.vetementspropres.be
Citizen Dream, Belgium, http://www.citizendream.com
Collibri, http://www.collibri.be
EFICO, http://www.eficofoundation.org
EL CEIBO, Bolivia, http://elceibo.org/
Ethic Wear, Belgium, http://www.mariecabanac.com
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Jacques Vabre
http://www.kraftfoods.fr/kraft/page?siteid=kraft-prd&locale=frfr1&PageRef=2535&MId=2535
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Fait Trade Original, http://www.fairtrade.be
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Max Havelaar Belgium, http://www.maxhavelaar.be
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Interviews

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