Fair Trade: the scope of the debate

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'Fair Trade' has become such a popular term that it now covers a bewildering array of quite different proposals, from protectionist measures through genuine solidarity action to new marketing opportunities. While 'fair trade' is often seen as a counterpart to the older concept of 'free trade', in many ways 'free trade' and the associated arguments around the World Trade Organisation's liberalising processes have also been arguments about fairness - i.e. the right of equal access to markets. Our aim in this paper is to unpack 'fair trade' as a concept, to examine the main varieties of the concept and their relationship to so-called 'free trade'.

In an attempt to make some sense of the various proposals, we will divide the 'fair trade' arguments into three broad categories, according to their approach to 'fairness': 'free trade' as fairness, fairness through linking labour rights to liberalisation, and fairness through value redistribution, especially by empowering small producers. Each of our three broad categories contains important sub-variants, which we will introduce and explain. We conclude with some comments about the legitimacy of the various 'fair trade' arguments.

1. Fairness as 'Freedom'

'Free trade' agreements often involve controlled and asymmetrical liberalisation processes, rather than processes of genuine 'laissez faire'. 'Free trade' as a practice is thus quite different from the theoretical models. In practice, 'market freedom' is partial and often partisan, it generally benefits large trading corporations and a strong state is required to enforce the property rights associated with the new trading regime. 'Free trade' is really a slogan which helps those who benefit from trade liberalisation to associate themselves with broader human freedoms. Preferential trade blocs have been shown to be more trade diverting than trade creating (eg. Adams et al 2003: 100), North American integration has not led to economic convergence (eg. Drache 2000: 63) and there are multiple problems for developing countries. With little prospect of additional exports, developing countries may also face serious disruption to agricultural production, cuts to tariff revenues, big drains of revenue through new patent laws (under the WTO's TRIPS agreement) and the burden of needing to hold greater foreign exchange reserves, in a more volatile international environment (Weisbrot and Baker 2002: 1-2). It is normally only in the more symmetrical common markets (eg. some federations) that the benefits of trade liberalisation are spread more broadly, and without great inequity.

Trade liberalisation, as a fairness argument, says that new rules will guarantee the property rights necessary for the expansion of trade, and will facilitate equal opportunities to participate in global markets. The success of this venture will contribute to economic growth, which will then 'trickle down', or spread its benefits across wide populations. So fairness in this model is limited to a recognition of property rights and to a means of supporting equal opportunities to participate in global markets, as well as the suggested promise of some broader redistribution of the benefits of private trading.

This 'free trade' variant of fair trade includes the US-EU dominated WTO process, as well as regional trade agreements. But despite mutual gains within the more symmetrical common markets (eg. the EU), asymmetries within the big trading systems (eg. the WTO, NAFTA) have led to a wide range of complaints about uneven access to markets, corporate domination, the elimination of small producers, monopolistic intellectual property rights (TRIPS), wider investor rights' claims which impact social systems, food security concerns, access to technology and other developmental problems of liberalisation. So there are many contingent questions of fairness, *within* the 'free trade' model, which have now gained widespread attention.

One way of addressing some of these contingent questions has been to argue for a fuller liberalisation, within the WTO system. This has been the approach of Australia (eg. Vaile 2002), and others within the 'Cairns Group' of agricultural exporters (eighteen countries, including Australia, Argentina and Thailand), who argue for more agricultural liberalisation, focussing on the highly protected agricultural markets of the EU and the USA, and matching the long standing claims of the USA and EU for liberalisation in manufactured goods.

However there is no deep consensus on this approach, even within the Cairns Group. Both the Philippines and Indonesia have dissented from Cairns Group proposals to dismantle domestic subsidies on agriculture, drastically cut agricultural tariffs, and treat developed and developing countries in the same way. Many developing countries (eg. Brazil, Indonesia and the Philippines) export agricultural produce, but also import large quantities of basic food grains. They depend on various forms of protection (including small farmer support schemes) to keep poor people on the land and to maintain some level of productive self-sufficiency in basic food grains. This common approach to 'food security' also acts as part of the effective social security system in many poor countries. A few developing countries, such as Thailand, support the Cairns Group/Australian approach, because they are amongst the few large food grain exporters. But developing countries generally want reduced barriers for their agricultural exports AND the right to support and stabilise their domestic food production - liberalisation undermines this.

There is a great deal of research on the potentially damaging impact of a general liberalisation of agricultural trade. Food security researcher Aileen Kwa (2000) says that "the trade-led solution to food security may be a good theory but [it is] a recipe for disaster and food insecurity for the rural poor". Trade may increase wealth but it may also undermine security. Even for a wealthy country like Britain, Lang and Hines (1993: 94) have argued, the massive international exchange of basic and equivalent foodstuffs is "ludicrous" and wasteful. FAO consultant, Professor Marcel Mazoyer points out that:

> "Non-subsidised small farms need agricultural prices that are sufficiently high for them not only to survive but also to invest and develop, a situation that free trade in agriculture clearly cannot offer the vast majority of the world's small farmers .. continued free trade with its downward trend in real agricultural prices will condemn further hundreds of millions of small farmers and agricultural workers to stagnation, impoverishment, migration and hence to unemployment and low wages ... It is not a question of choosing between globalisation and non-globalisation, but of choosing between blinkered liberal globalisation that blocks and excludes the poor and a carefully considered, organised and regulated globalization that is beneficial to all" (Mazoyer 2001)

Similarly, Peter Rosset of Food First argues the mutlifunctionality of small farms - that they are more productive, more efficient and contribute more to economic development than large farms. Small farming encompasses the benefits of diversity in ownership and biological landscape, environmental benefits, empowerment and community responsibility, nurturing places for families, and food and social security strategies (Rosset 1999). The Mexican small farmers federation (UNORCA) insists that the WTO does not properly consider the multifunctionality of small farming, nor the importance of guaranteeing local food production, and conserving biodiversity and other aspects of the natural environment. They want agriculture totally off the WTO agenda (UNORCA 2003). So the Australian 'market access' claim - that what is good for Australian agribusiness is also good for developing countries (DFAT 2003) - is quite misleading

As the search for trade opportunities is on every country's agenda and, for all the problems of the WTO, and of asymmetrical trade blocs such as NAFTA, economic liberals continue to claim that *some* liberalisation will bring a proportion of the suggested benefits of a more even and inclusive liberalisation. Against this, the Indian Government (for example) has repeatedly maintained that 'no conceivable scenario of free trade could either promote economic development or raise general welfare levels in the third world' (Raghavan 1988). Yet 'affirmative action' in liberalisation proposals, such as those of the Cairns Group, are continually suggested as a means towards a fairer liberalisation. These arguments are driven by exporter interests, and will not go away.

The main dangers of the 'freedom' as fairness claim is that the immediate and specific trade agendas of small groups of powerful companies are represented as the mass opportunities for a wide range of producers and small traders. Analysis of effective outcomes in international trade can help dispel this myth. Processes of trade liberalisation appear to offer some prospects for wider opportunities and wider benefits where there is some symmetry (eg. in common market federations) rather than in widely disparate groups (eg. NAFTA, the WTO).

2. Fairness through linked rights

Recognising the force of liberalising processes, and seeking to add selected qualifiers to the 'free trade' agreements, labour activists have sought to link their concerns to trade treaties. In orthodox terms, this approach suggests that rights linkage is eradicating 'distortions' (eg. of disadvantage) in markets, rather than creating them. While there are several approaches that sometimes seek to link rights to trade (trade sanctions regimes for one, and the General System of Preferences for another), we focus here on the 'social clause' campaign attempt to link 'fundamental' labour rights to WTO and other trade agreements.

Linking human rights or labour rights to trade is problematic for at least two reasons. Firstly, there is a long history of powerful states using human rights arguments as pretexts for their own strategic and commercial interests. The USA in particular has used a range of unilateral measures to both privilege and disadvantage, respectively, its allies and perceived opponents. The USA has also repeatedly used arguments of environmental and human rights protection, as well as antidumping rules and other elements of domestic trade law, to gain trade advantages. The USA has also maintained unilateral trade sanctions on Cuba (a WTO member) for more than 40 years. It also participates in the Generalised System of Preferences (GSP) scheme - a WTO-recognised institution (Part IV of GATT and the *Enabling Clause*, allow GSPs as an exception to the MFN principle of Article I) whereby wealthy countries may selectively give trade preferences to developing countries, supposedly on the basis of their human rights or democratic track record. Making it clear that the GSP was another tool of US self-interest, US Trade Representative Mickey Kantor told the US Senate Finance Committee in April 1995: "We will continue to use every tool at our disposal -- 301, Super 301, Title VII, GSP, the Telecommunications Trade Act, or WTO accession -- to open markets around the globe" (in Bello 1997). The GSP has been criticised as a discriminatory device. India, for example, has long argued that GSPs should be "non-reciprocal and non-discriminatory", that is, a measure owed by wealthy nations to all developing countries, and not just applied to some; it recenly won a WTO ruling on the discriminatory nature of European Union GSPs (ICTSD 2003).

Secondly, trade unions in developed countries have used 'fair trade' and labour rights arguments as a means of simple job protection. The concern is that manufacturing jobs are being relocated to developing countries, where wages are lower and (it is presumed) labour rights are respected less. However here the primary concern is often job loss, rather than the rights or conditions of workers in developing countries. The concern for simple job protection is understandable, but falls far short of the principles of genuine solidarity, which must underlie this form of 'fair trade'.

WTO rules allow very few reasons to 'discriminate' against imported products. Even though the WTO's complaints tribunal has to make its findings "in accordance with customary rules of interpretation of public international law" (DSU Article 3.2), 'discrimination' between traded products may occur only for reasons of 'security' or 'public morals', to protect 'national treasures', for the 'conservation of exhaustible natural resources', against the 'products of prison labour', and for reasons adverse to 'human, animal or plant life or health' (GATT Article XXI). Restricting imports outside these exceptions generally constitutes a violation of WTO rules, which may be responded to with trade sanctions. The WTO does not normally distinguish between the processes which lead to the creation of 'like products', even if these processes include child labour, or environmentally damaging activities. So goods produced with less respect for human rights and/or with fewer environmental protections may unfairly compete with other goods. For this reason the WTO is often criticised as contributing to the 'downward harmonisation' of environmental and human rights standards.

Because of the narrow but powerful brief of the WTO, labour activists (e.g. through the International Confederation of Free Trade Unions - the ICFTU) have sought to add a 'social clause' to trade treaties, to make access to preferential trade arrangements conditional on adherence to labour standards. And environmental activists (e.g. Hamilton 2001) have suggested that an 'environmental clause' be added to trade treaties, to make access to preferential trade arrangements conditional on adherence to environmental standards. These movements have also argued their case in the name of 'fair trade'.

The 'social clause' argument for fair trade has mainly been driven by labour rights activists in developed countries (e.g. the ICFTU, and the US based International labour Rights Fund), and seeks to link trade treaties with the seven 'fundamental' conventions of the International Labour Organisation (ILO). These seven 'fundamental' conventions (ILO Conventions: 87, 98, 29, 105, 100, 11 and 138) deal with the four areas of (i) freedom of association and the right to organise, (ii) bans on forced labour, (iii) equal remuneration and non-discrimination, and (iv) the "progressive and effective" abolition of (effectively, the regulation of) child labour. The idea is to incorporate these rights into trade agreements, and to guarantee 'most favoured nation' status only to those nations which ratify and act to enforce these most basic of labour rights. There are not really clear explanations as to how these rigths might be enforced, but it is suggested that the ILO would arbitrate disputes, and pass its information on to the WTO. Ratification of labour rights agreements has steadily expanded, in recent years. In 1995, there were 799 ratifications of the 'fundamental' ILO conventions, and 6330 ratifications of all ILO conventions. By 2000 these numbers had grown to 1011 and 6803 (ILO 2000).

The idea of a 'social clause' was debated and rejected at the WTO's 1996 meeting in Singapore. It was widely seen as a device by some wealthy countries to deprive developing countries of possible trade advantages. The WTO statement read as follows:

> "We renew our commitment to the observance of internationally recognised core labour standards. The International Labour Organisation (ILO) is the competent body to deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalisation contribute to the promotion of these standards. We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into this question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration." (WTO 2003)

After the 1999 Seattle Ministerial meeting of the WTO, the then US Government proposed a Working Group on Trade and Labor (USAID 2000); however the WTO now says that labour standards are "not on the agenda" (WTO 2003), and labour rights can be somehow excluded from trade negotiations.

Despite this, the issue is certainly not dead. Child labour activists in the Global March campaign (SBS 1998), for example, continue to push this issue in trade talks. They aim to raise awareness of child labour, to demand regulation of the worst aspects of the problem, to condition responses by producers and consumers, and to assist in the rehabilitation and education of former child workers. The Nike Campaign (boycott-nike 2004) has been a focussed campaign, to raise wealthy consumers' awareness of poor labour practices in the sportswear industry; but there are many industries which exploit labour and child labour (eg. tanneries, surgical instruments) but have far less resonance with wealthy consumers.

The social clause proposal is still hotly debated amongst NGOs and trade unions around the world. The International Confederation of Free Trade Unions (ICFTU) argues against a "rush to the bottom" in labour standards; but the Bangkok-based Focus on the Global South opposes the social clause because, they say: (i) resistance to the WTO agenda is critical, and reform of the WTO will "confer legitimacy on an international system which .. squeezes and exploits workers"; (ii) the proposal is a protectionist measure from workers in wealthy countries, and represents a "packaging [of] self-interest as solidarity"; (iii) the social clause is irrelevant to those in the huge informal sectors of developing countries. FOCUS argues it is better to build up solidarity between civil society groups (Bullard 2000). The ICFTU has responded that their proposal does not depend on WTO policing, but rather ILO arbitration after WTO referrals, that civil society and trade union solidarity elements of enforcement must also be involved, and they support incentives and assistance (as in a 'progressive compliance regime') (Waghorne 2000). But in practice many 'north' unions' campaigns appear protectionist. The Australian Manufacturing Workers Union (AMWU) has campaigned against job losses, and for a 'social tariff', in the name of 'fair trade' (Workplaceinfo 2000). However this campaign appears to be mainly driven by concern over job losses. There is no evidence that overseas workers groups are support this 'social tariff' claim.

However attitudes to the social clause are not a simple north-south divide. The 1996 response of a group of Filipino NGOs to the social clause proposal was interesting, because it demonstrates some specific concerns, and room for cooperation. The SALIGAN group (1996) signalled a 'conditional yes' to the social clause, with a range of conditions. The most significant of these conditions were (i) ILO jurisdiction, (ii) democratising of the WTO, (iii) a 'progressive compliance regime' instead of sanctions, (iv) labour groups to have direct access to the complaints process, (v) inclusion of migrant workers, and (vi) a safety net for affected workers. These conditions indicate where some common ground might be developed.

Environmental clause proposals are not as well developed as the labour rights proposals, yet there has been some slight movement within WTO processes to recognise other international treaties on the environment. The 1998 Shrimp-Turtle Dispute, for example, where the US blocked seafood imports from several developing countries on the basis of their failure to protect the 'bycatch' of endangered marine turtles, led to a WTO panel interpreting the limited WTO exception of 'exhaustible natural resources' with reference to the UN's Law of the Sea (UNCLOS), the Convention on Biological Diversity, and the Convention on the Trade in Endangered Species (CITES) (Pauwelyn 2001). This served to link environmental custodian rights with a trade treaty, and was also a case where US assistance in upgrading shrimp nets (to include turtle excluding devices) might help address some of the developing country complaints. Yet links between WTO agreements and environmental treaties remain weak because the WTO specifically excludes discrimination on the basis of processes of production, including environmental standards and degradation. Environmental protection may be growing in international law (Schreurs and Economy 1997), but there will be little 'transmission' of good environmental practice through powerful trade bodies, until and unless specific environmental treaties are clearly linked to WTO rules.

The main problem with addressing labour rights through a social clause or 'social tariffs' is that these measures have been pursued unilaterally and as forms of covert protectionism, by trade unions and governments, with little regard for the developing country workers they are supposed to support. 'Fair trade' in this form must have regard to principles of genuine solidarity, where the advocates actually listen to and are guided in the detail of their measures by the affected workers.

The list of principles drawn up by the SALIGAN group gives some indication of where this dialogue might begin.

3. Fairness through value redistribution

The other major theme in heterodox 'fair trade' proposals has been addressing value redistribution, in particular by attempting to mitigate monopoly power. Not only workers but also small farmers have been systematically disempowered in trading relationships.

Three main means have been developed to address this problem. First, global commodity bodies or producer cartels have been set up, to mitigate price volatility and set floors on commodity prices. Second, alternative trading organisations have been created, which attempt to bypass the big companies that dominate commodity marketing. And third, fair trade labelling systems now certify corporate products as having met certain basic elements of fairness including minimum prices to producers. The later two processes have adopted the 'fair trade' tag, and have focussed on foodstuffs, in particular coffee, cocoa, tea, fruits, honey, nuts, sugar and wine. With the collapse of some commodity price regulation systems in the 1980s (such as that of the International Coffee Organisation), the significance and range of these initiatives has increased, and a principal focus has been value redistribution.

In the most famous example of coffee, where there are thousands of small producers, but several large companies dominate world markets, the average ratio of producer prices to the US retail price has been about one to five, but more recently one to ten (ICO 2004), indicating that coffee producers get a tiny share of the final price of their product. Further, the dip in world prices for producers is recent years, is as much to do with monopoly power as it is with over-supply, as prices at the producer end have fallen more sharply than at the retail end (Fritsch 2002). Table 1 below (using national data from the world's biggest coffee consumer and the world's biggest coffee producer, the USA and Brazil) shows: first, the volatility in world coffee prices; second, the fall in both producer and retail prices (in both current and real prices) in recent years; and third, that the recent fall is far more severe at the producer end than at the retail end.

Table 1: The slump in world coffee prices, 1982-2002

	US cents per pound (current)		
	av retail coffee price (USA)	**av price paid to growers (Brazil)**	**ratio of av retail to grower prices**
1982	259.5		
1984	264.7	49.41	5.4
1986	366.6	140.93	2.6
1988	281.2	48.53	5.7
1990	297.7	54.64	5.4
1992	262.5	35.34	7.5
1994	259.8	112.34	2.3
1996	343.8	97.04	3.5
1998	378.6	88.36	4.3
2000	343.1	63.8	5.4
2002	293.8	27.45	10.5

Source: ICO (2004)

'Fair trade' arrangements in coffee began as the price regulatory role of the world coffee body (the ICO) declined, under neoliberal influence. These arrangements involved the creation of alternative trading organisations (ATOs), involving both non-profit and profit making bodies, and the 'fair trade' labelling of conventional corporate products.

Alternative trading organisations (ATOs) began in Europe in the 1960s, through the Dutch SOS Wereldhandel (now Fair Trade Organisatie) and Britain's OXFAM, with the aim of 'opening markets in developed countries to disadvantaged southern producers' (Warindel and Teitelbaum 1999). In the Netherlands, Fair Trade Organisatie and later De Evenaar began to supply the Dutch 'world shops', now an association (Landellijke Vereniging van Wereldwinkels - LVWW) of 400 member shops. By 2001 the 'fair trade' business of these importers, through the world shops, was more than 17 million Euros (EFTA 2001). These co-operatives and smaller companies, in a variety of countries, have tended to forge more direct links with growers and growers associations, and so bypass the large companies that dominate mass consumer markets such as coffee and tea. Later on, fair trade labeling enabled large companies to gain the distinctive *imprimatur* of 'fair trade'.

Fair trade organisations are now considered those that operate exclusively according to fair trade principles, while fair trade labeling can apply to particular products of conventional companies. In both cases, similar principles apply. While in both the European and US versions there are a range of principles, there is a central role for principles which empower and give a better share (or at least a higher price) to small growers. Fair Trade Federation companies in the US, for example, must ensure:

- that producer workers are paid 'fair wages' (at least the country's minimum wage, and a subsistence wage);
- that they deal with 'cooperative workplaces' (cooperatives but also small businesses);
- that they engage in consume education on 'fair trade';
- that production is carried out in an environmentally sustainable way;
- that they provide financial and technical support (by making prepayments and/or providing credit to producers);
- that they show respect for the cultural identity of producers; and
- that the 'fair traders' are publicly accountable (O'Brien 2002: 12-13).

In the case of coffee in 2002, this meant that a minimum 'fair trade' price of US1.26 per pound was paid, or, if the world price rose above this (it is at present well below this), there would be a 5c premium above this world price (O'Brien 2002: 3).

The European criteria are similar. Fair trade certification under the Max Havelaar label requires:

- direct purchase from small farmers or from FLO registered plantations;
- a guaranteed minimum price and price premium - of US$1.26 per pound for arabica coffee, and US$1.06 for the robusta variety - there are also set prices for cocoa, honey, bananas and tea;
- credit allowances to producers, of up to 60% of the trade contract (only for cooperatives, not plantations); and
- a long term relationship, so that producers cannot be abandoned after just one harvest cycle; 'letters of intent' confirm the longer term of this contract (Sterns 2000: 4).

These 'fair trade' processes therefore involve a detailed re-regulation of traded relationships, including price and distribution of value, throughout a period more broadly characterised by neoliberal price 'deregulation'.

'Fair trade' products (coffee, tea, cocoa, chocolate, bananas, honey, vanilla) in recent years have become a small but rapidly growing section of the broader markets for these commodities. As at 2000, retail turnover of fair trade products was around US$100 million in the US and Canada, and more than US$200 million in Europe. In the US and Canada, 62% of the fair trade companies are for profit, and 38% non-profit (O'Brien 2002: 5). The US began later but has grown faster with greater corporate involvement and through the labeling process; Europe has more ATOs and more non-profit ATOs. Fair trade coffee, for example, is now typically 1 to 2% of the market in many

European countries, but as much as 4% or 5%. Table 3 below gives some idea of the scale and market size of the various fair trade products.

With fair trade labeling, the North American market has expanded very rapidly, with the number of retail outlets more than doubling (to 7,000) between 2000 and 2001 (O'Brien 2002: 2). This is clearly a marketing opportunity which some big companies have focussed on. However the entry of large corporations into the 'fair trade' market poses some new problems. In the case of the giant US coffee chain Starbucks, there was and is the highest of producer to retail ratios. Starbucks' new 'fair trade' coffee typically adds a premium of 10-15% to their average retail prices (Starbucks 2003a & 2003b), and so could benefit growers. However the producers *share* in the Starbucks chain does not appear to have improved.

In practice, Starbucks does not buy at the undifferentiated world market rate (New York 'C' commodity prices), but at a fixed premium price, for speciality arabica varieties. The company says that:

> "in fiscal 2002 Starbucks paid an average price of $1.20 per pound [2.65 per kilo], excluding freight for green coffee purchased at outright prices" (Starbucks 2002: 3)

Its coffee labelled 'fair trade' is said to be purchased at a rate of US$1.26 per pound for non-organic and US$1.41 for organic green arabica (Starbucks 2002: 7). On this basis, Starbucks is paying producers (its annual report does not say which producers, or from which country) a fraction more for 'fair trade' coffee. However the retail price is set proportionally higher (see Table 2 below), so that the ratio of retail-to-producer prices is actually higher than for ordinary 'non fair trade' Starbucks coffee. Whereas Starbucks fair trade coffee sells at a 7% to 15% higher consumer price than their standard speciality coffees (roasted and packed, half pound bags), they appear to pay only 5% more to producers of this fair trade certified coffee. Starbucks' proportional share has grown, indicating that what might be called a 'monopoly premium' actually increases, with this form of 'fair trade'.

Table 2: Starbucks 'fair trade' pricing

	Speciality arabica	**Fair trade arabica**
Starbucks buys at (2002)	1.20/lb	1.26/lb
Starbucks sells at Australian prices (2003)	14.56/lb	16.12/lb
Retail/producer ratio	**12.13**	**12.79**

Sources: Starbucks 2002 and Starbucks 2003b; NB. prices are in $US per pound, retail figures are from Sydney Australia, but converted from $A to $US at the respective 2002 and 2003 rates (0.52 and 0.64) - the point of this exercise is the ratio, rather than the absolute price

Starbucks has the endorsement of the Fairtrade Labelling Organisation (FLO), a 1992 Dutch initiative and now an international organisation which certifies 'fair trade' coffee, tea, bananas, mangoes, cocoa, sugar, honey and fruit juices. The FLO rationale for fairness to small farmers is to calculate a minimum producer price which covers the cost of production, the cost of living and a certain premium (FLO 2004). However there does not seem to be an FLO nexus between retail and producer prices; that is, FLO seems to ignore the 'fairness' implications of value distribution FLO standards are aimed at the social, economic and environmental development of employers and small farmers (FLO 2004), but not at the practices of trading organisations, where monopoly power and the main responsibility for the 'squeezing' of small producers lies. Starbucks is now partnering with Oxfam America in a project for fair trade farmers in Oaxaca, Mexico (Starbucks 2003b).

These 'fair trade' arrangements, as new forms of price regulation, certainly seem to benefit small farmers (see eg. Westlake 2002: 43). The question is, what place can these arrangements have in the broader scheme of trade and development relationships? A further question hangs over the extent to which large corporations can co-opt the brand name and niche markets of 'fair trade', yet maintain monopolistic power in the value chain. 'Fairness' in this form of trade is surely not just about some marginal extra income, but about proportionate shares in commodity value chains.

Conclusion: on the legitimacy of the various 'fair trade' arguments.

Looking at the range of processes now claimed as 'fair trade' helps us focus on what might be fair and for whom. There is great value in this debate. However there is also a need to critically analyse each claim, and to look at the new processes thrown up and their effective outcomes.

In the case of 'freedom' as fairness, there is the danger that the partisan trade agendas of large companies will continue to be misrepresented as opportunities for a wide range of producers and small traders. While much good work has been done to expose this myth (eg. Weisbrot and Baker 2002, Drache 2000), more critical empirical analysis of the actual outcomes of liberalisation processes is needed. Processes of trade liberalisation might only be said to be 'fair' when a wide range of fairness criteria are met, not simply the theoretical opportunity to participate in global markets. In the case of labour rights linkage, covert protectionism by unions and governments must be challenged and redirected into processes of genuine solidarity, where the form of support action is guided by the affected workers. And in the new 'fair trade' arrangements represented through alternative trade organisations and fair trade labelling, the question of proportionate or fair shares of value chains must be recognised, so that 'fair trade' does not become simply another form of 'green wash', or corporate propaganda. Small producers can certainly benefit from these new forms of price and governance regulation, as from other forms of 'fair' dealing which is specific and explicit about just what form of 'fairness' is involved.

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Table 3: Fair Trade markets in Europe and the US/Canada, 2000

	Austria	Belgium	Denmark	France	Germany	Italy	Nether-lands	UK	Switzer-land	USA & Canada
Fair trade label	Transfair	Max Havelaar	Max Havelaar	Max havelaar	Transfair	Transfair	Max havelaar	Fairtrade Mark	Max Havelaar	Fair Trade Federation
Fair trade product and market share	coffee 0.8%, tea, chocolate	coffee 1%, bananas, chocolate	coffee 2%, bananas, tea	coffee 0.1%	coffee 1%, bananas, tea 2%, honey, chocolate	coffee 0.1%, tea	coffee 2.6%, bananas 8%, honey, tea chocolate 1%	coffee 4%, chocolate, tea, bananas, honey	coffee 5%, bananas 13%, honey, sugar, tea, chocolate	coffee and many other products
Fair trade total retail turnover	$9.6m	$9.6m	$3.8m	$3.6m	$76.6m	$12.4m	$47m	$27m	26	$97.9 m
Points of sale for fair trade products	2,000	2,000	200	300	31,000	1,000	8,300	3,000	7,000	7,000
Willingness to pay for fair trade goods	25%	17%	n/a	37%	37%	15%	15%	68%	n/a	65% *

Sources: Sterns 2000 (Europe) and O'Brien 2002 (US and Canada); * this figure indicates consumers likely to switch brands to associate with a 'good cause'

Table 4: Fair Trade? understanding the different arguments

	Fairness as?	How?	Advocates?	Particular problems?
FREEDOM	'Free trade' • equal opportunity to participate in markets	• general trade liberalisation, with growth objective • conversion of 'trade barriers' to tariffs • then reduction of tariffs	USA, WTO, orthodox economists	• declining long term terms of trade for commodity exporters • MNC domination of trade • blocks industrialisation in small countries • WTO enforces 'rigged rules'
	'Market access' • more equitable liberalisation	• 'affirmative action' liberalisation in agriculture	Australia, WTO secretariat	• as above • food security undermined
RIGHTS LINKAGE	Industry protection • to prevent labour rights abuse in third country	• state unilaterally blocks imports to protect domestic industry & jobs	Western manufacturers and manufacturing trade unions	• mercantile competition • workers in LDCs have no say • protectionism dressed up as solidarity
	Social clause • link trade liberalisation to basic labour rights compliance	• linkage of ILO 'fundamental conventions' to trade treaties (WTO, NAFTA, etc) • member states agree to trade sanctions or preferences based on non-compliance:	ICFTU, ILRF	• selective application • domination by big powers • enhances WTO policing role • workers in LDCs have no say
	Civil solidarity • coordinated solidarity sanctions or preferences	• action at the request of democratic organisations • emphasis on assistance - occasional coordinated sanctions	SALIGAN (Ph: re social clause); ANC (SA - anti-apartheid campaign)	• coordination problems • states may not cooperate
	General System of Preferences • low tariffs for 'good' LDCs	• unilateral trade preferences based on rights/democratic performance	USA, EU, Australia	• discrimination between LDCs • part of strategic national policy
VALUE DISTRIBUTION	Cooperative trade • remove monopoly power to better reward small producers	• Alternative Trading Organisations (sometimes non-profit) trade directly with small producers and co-ops in LDCs (coffee, tea, chocolate, honey, bananas)	SOS (NL), OXFAM, COOCAFE (CR), UCIRI (MX),Trade Winds (Aus)	• difficult to compete with monopoly corporations • small scale
	Fair trade labelling • corporate participation in 'fair trade' marketing	• Certification for corporations agreeing to share value with small growers and support ecological sustainability	Transfair, FLO, Starbucks	• 'fair trade' becomes niche marketing • maintains monopoly relations
	Producer cartel • international price leverage	• regulate volatile commodity prices • maintain 'floor' prices if overproduction	ICO (coffee)	• opposed by US, WTO • overly competitive commodity markets

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repeats ...

Table 1: The slump in world coffee prices, 1982-2002

	US cents per pound (current)		
	av retail coffee price (USA)	**av price paid to growers (Brazil)**	**ratio of av retail to grower prices**
1982	259.5		
1984	264.7	49.41	5.4
1986	366.6	140.93	2.6
1988	281.2	48.53	5.7
1990	297.7	54.64	5.4
1992	262.5	35.34	7.5
1994	259.8	112.34	2.3
1996	343.8	97.04	3.5
1998	378.6	88.36	4.3
2000	343.1	63.8	5.4
2002	293.8	27.45	10.5

Source: ICO (2004)

Table 2: Starbucks 'fair trade' pricing

	Speciality arabica	**Fair trade arabica**
Starbucks buys at (2002)	1.20/lb	1.26/lb
Starbucks sells at Australian prices (2003)	14.56/lb	16.12/lb
Retail/producer ratio	**12.13**	**12.79**

Sources: Starbucks 2002 and Starbucks 2003b; NB. prices are in $US per pound, retail figures are from Sydney Australia, but converted from $A to $US at the respective 2002 and 2003 rates (0.52 and 0.64) - the point of this exercise is the ratio, rather than the absolute price