

**POLITICAL ECONOMY OF FAIR TRADE:  
EVALUATING EVIDENCE FROM INDIA**

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Date: July 21, 2017

**Declaration**

I declare that the thesis entitled "**Political Economy of Fair Trade: Evaluating Evidence from India**" submitted by me for the award of the degree of Doctor of Philosophy of Jawaharlal Nehru University is my own work. The thesis has not been submitted for any other degree of this University or any other university

  
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We recommend that this thesis be placed before the examiners for evaluation.



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**TO MY SUNSHINES,  
PAKHI AND RUMBUL...**

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## TABLE OF CONTENTS

Acknowledgement.....	i
List of Tables and Images .....	iv
List of Abbreviations .....	vi

### Chapters

Chapter 1	Introduction.....	1
Chapter 2	History, Evolution & Theoretical Debates on Fair Trade.....	27
Chapter 3	Fair Trade across the Global South.....	69
Chapter 4	Fair Trade, Social Justice and Poverty Reduction: Evidence from India.....	97
Chapter 5	Fair Trade in India: An Examination of the Politico-Economic Linkages....	161
Chapter 6	Conclusion.....	181
References.....		189

### Annexures

Annexure 1	Core Fair Trade Principles given by WFTO.....	210
Annexure 2	Questionnaire for the Fair Trade producing community (workers/farmers) covered during the field work.....	211
Annexure 3	Questionnaire on Fair Trade for the FTOs (for the Fair Trade practitioner organisation's head and managing committee members).....	214

## **LIST OF TABLES AND IMAGES**

### **List of Tables**

Table 1: Top Ten Countries in Number of Fairtrade Farmers (2014)

Table 2: Top Ten Countries in Number of Workers on Fairtrade Certified Plantations (2014)

Table 3: Top Ten Countries in the Number of Fairtrade Farmers and Workers (2014)

Table no. 4: Nature of Workforce in Select Fair Trade Organisations in India.

Table no. 5: Functioning Style or Mode of Operation of the FTOs

Table no. 6 Opinion and Perception about the Role of Government

Table no. 7: Role of Big Business/Companies in Fair Trade Industry

Table no. 8: Organisations' Reasons for Fair Trade Membership /Certification

Table no. 9: Importance of General Fairness Principles for the FTOs vis-à-vis their Producers

Table no. 10. Fair Trade's Impact on Producers' Livelihood and Standard of Living

Table no. 11: Financial Challenges Faced by the FTOs

Table no. 12: Organisation's Evaluation of the Challenges vis-à-vis Fair Trade Principles

### **List of Images**

Image no. 1. The International Fairtrade Certification Mark.

Image no. 2. The WFTO label.

Image no. 3. The Fair Trade India Brand established by FTF-I.

Image no. 4. The "Shop for Change" Fair Trade label meant for the Indian domestic market.

Image no. 5. The researcher sitting and interacting with Chetna Organic farmers in the neighbourhood of the Mowad village, Telangana

Image no. 6. The researcher sitting between two women farmers of Chetna Organic, Kanaka Bai and Gauri Bai in the village Mowad, Telangana.

Image no. 7. Researcher's interaction with a farmer named C. Joseph in Ayyankunnu village in Kannur.



Image no. 8. A rare variety of ladyfinger at display at the home of one of the farmers of the FTAK in Ayyankunnu village.

Image no. 9. Kannur based office of the FTAK.

Image no. 10. A poster of FTAK on one of its office walls showing its motto and its own adaptation of Fairtrade.

Image no. 11. A women FTAK farmer in Nadavayal village in Wayanad named Priya K. John.

Image no. 12. Woman FTAK farmer named Sheena in Ayyankunnu village in Kannur.

Image no. 13. A girl child named Sunita working on a weaving unit at her home at Puraini village in Bhagalpur district, Bihar.(Eco Tasar)

Image no. 14. A women yarn maker named Savitri Devi from a yarn making cluster situated in a village called Babhani in Saraiyahat Tehsil in Dumka district, Jharkhand.(Eco Tasar)

Image no. 15. Women yarn makers from a village called Chikaniya in Saraiyahat tehsil of Dumka district in Jharkhand from where Eco Tasar sources it yarn.

Image no. 16. P.K Narayan Kutty, a master weaver with the Kara Weaves is being seen weaving one of his creations at Kanjiramattom in Ernakulam district, Kerala.

Image 17. A women weaver named Amtrika at work at the Ernakulam weaving cluster.

## **LIST OF ABBREVIATIONS**

AO- Associate Organization

ATO - Alternative Trade Organization

CLAC- Latin American and Caribbean producer network

COAPCL- Chetna Organic Agriculture Producer Company Ltd

COFA- Chetna Organic Farmers Association

CSR - Corporate Social Responsibility

ECLA-European Commission on Latin America

EFTA - European Fair Trade Association

FINE - FLO, IFAT, NEWS! EFTA

FTF-I- Fair Trade Forum-India

FTGS-Fair Trade Guarantee System

FTO- Fair Trade Organization

FLO - Fairtrade Labelling Organizations International/Fairtrade International

FTF - Fair Trade Federation

FTN- Fair Trade Networks

FTSO- Fair Trade Support Organization

ICA- International Coffee Agreement

ITA -International Tea Agreement

GATT -General Agreement on Tariffs and Trade

GM- Genetically Modified

IFAT - International Federation of Alternative Trade

ILO - International Labor Organization

IMF - International Monetary Fund

IRFT- International Resources for Fairer Trade

ISO - International Organization for Standardization

MACS- Mutually Aided Cooperative Society

NAATO-North American Alternative Trade Organization

NAPP- Network of Asia Pacific Producers  
NEWS! - Network of European Worldshops  
NGO - Non-Governmental Organization  
NIEO-New International Economic Order  
SAR- Self-Assessment Report  
SFTMS- Sustainable Fair Trade Management System  
SHG- Self Help Groups  
UNCTAD- United Nations Conference on Trade and Development  
UNECLA-United Nations Economic Commission on Latin America  
WFTO-World Fair Trade Organization  
WTO - World Trade Organization

## Chapter 1

### Introduction

#### Background

Fair Trade as an international movement in the global north and an emerging practice in the global south has been an interesting site of inquiry for researchers and academic community across the world. The growing interest in Fair Trade is not just to do with the concept and the practice itself but the larger context and the claims and problems it seeks to address in an increasingly unequal and unjust world. The sharp economic division between the north and south which the concept of Fair Trade seeks to ameliorate might be underplaying itself since the second decade of the 21<sup>st</sup> century but the idea and the concept itself has made enough leeway for itself to be the center of contemporary discussion and a source of immense curiosity regarding its application and effectiveness. The globalized market centric world is more and more galvanized by the problems of unequal treatment being meted out to a large section of people at the crossroads of transition in their economic and social statuses. However, various approaches and ways of dealing with the perennial problems of poverty, exclusion, inequality and injustice have been widely discussed and implemented in various ways. The merits and fallouts of state-centric vs. market-centric approach have formed a major part of discussions in the post second world war global order, with *laissez faire*<sup>1</sup> and mercantilism<sup>2</sup> giving way to embedded liberalism<sup>3</sup> in the north in the immediate aftermath of the post-war world. However, the newly independent countries or what was then a category of ‘third world’ grappled with umpteen challenges of survival and ‘recuperation from their devastated economic systems’. The problems faced by the global south or ‘third world

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<sup>1</sup> Laissez-fair is an economic theory, with its origin in the French term of the same name meaning literally to “leave alone, let you do”. It got huge popularity in the 18<sup>th</sup> century and the driving principle behind it is that the lesser the intervention of the government in the economy the better it is for the economy and the society, thus this theory forming one of the bedrock elements of capitalism.

<sup>2</sup> Mercantilism is an economic theory and an economic system of trade in practice from 16<sup>th</sup> to 18<sup>th</sup> century among the European nations with a belief that the amount of wealth in the world being static, the nations accumulated as much wealth as possible for themselves through instruments like imposition of government regulation in the nation’s commercial interests. Thus the primary motto was to secure national power by maximizing exports and minimizing the imports of a country.

<sup>3</sup> Embedded liberalism (a term coined by John Ruggie in 1982) is the economic system predominantly in practice since the end of the second world war to the 1970s which involved making a balance between the two desirable but somewhat conflicting objectives of free trade and the freedom of the states in intervening their economies by increasing their provision of welfare .

countries' have found their resonance time and again in the developmental debates of the post-second world war order which the academia and policy makers since then has been continuously pursuing in honing its meaning and concepts to make it more people-centric and more inclusive. However, the academic and policy debates are an ongoing exercise and the various ways in which the development debates and problems related to the underdevelopment of the masses have been dealt with present an interesting insight into the correlation between changing ideology and governance regime across the world.

Having said that, an interesting site of debates surrounding development, injustice and the north-south divide has been subsumed and dealt within the concept of Fair Trade, this being an offspring of the post-second world war peculiarities of the global order.

The importance Fair Trade occupies in academic and politico-economic debates has been highlighted by Ballat and Pouchain (2015),

To date it accounts for but a small share of international trade, but it is growing fast and its small economic size is advantageously offset by the importance of the economic and philosophical issues it raises. Fair Trade, which is booming despite the current crisis, has brought to the fore a new approach to economic trade and justice. Today Fair Trade represents US\$5.5 to \$6 billion in turnover worldwide, with about two million producers and workers. More than 30,000 products are sold in 70 countries. (Ballat and Pouchain 2015:1421)

Thus the important place Fair Trade occupies in development and policy debates related to the questions of poverty, injustice, inequity and marginalization of the south cannot be overshadowed by the low percentage or volume of Fair Trade products in the overall international trade. The practice of Fair Trade has been conceptualized as a social movement by most of the writings on the subject. In fact, the Fair Trade fraternity itself has popularized itself as a social movement aimed at making the lives of the producer communities in the south easier and better. Though an immensely popular measure of action, its outreach, popularity and functioning have variations across different parts of the world. So, it claims itself as a form of a social movement given the active participation of conscientious citizenry in the north and the western world, but in practice, it is yet to graduate to the movement's intensity and outspread in the southern part of the world which is the producer side of the Fair Trade value chain and is still not the center for the consumption of the Fair Trade products. Though the north-south divide of the consumer-producer side of the Fair Trade is changing, these days with the Fair Trade practitioners campaigning for the awareness of Fair Trade products even among the consumers of the southern countries, it is still in a nascent phase.

And the thrust of the movement is still driven by the demands of consumers from the north and the supplies from producers (farmers/artisans) in the south. This makes Fair Trade a largely unidirectional phenomenon and a process which has a great play of the north-south divide. In fact, it is a practice which was initiated to fill this north-south gap but has been thriving on this very gap since the last six decades, trying to increase its popularity among the southern “middle class and upper class” consumers but only to achieve this in partial terms and ways only much later in its developmental phase.

The adoption of the narrative of north-south in general and in the context of the whole idea and history of the flourishing of Fair Trade is problematic, because of not only its inaccuracy in defining this binary but also on account of the lack of acknowledgement of the existing inequalities within countries. This “north-south division of the world” has also been problematized due to the neglect of “the power relations” inherent in such a categorisation. According to Naylor (2014: 276), “power relations” have been known to manifest themselves through the existing and dominant development discourses and paradigms (Escobar 1995: 2004), and inside the markets (Dolan 2010). Furthermore, as Naylor (2013: 276) explains that these power asymmetries are often disguised by the means of the strategies of economic development adopted by the dominant. Fair Trade is one such strategy among umpteen others which reinforces the existing power gaps and asymmetries. Many scholars have paid attention to the imbalance of power within the Fair Trade world especially through the onset of the certification regime within the ambit of the Fair Trade industry. However, the usage of the categories of north and south surely underpins the very problems which the scholars strive to highlight.

If the world was rather divided into ‘northern and southern’ hemispheres through natural boundaries, then the importance of the self-proclaimed alternatives like Fair Trade would have been of unquestionably highest degree as Fair Trade is viewed as being very instrumental in fixing this gap or at least reducing the large divide that separates the northern consumers and the southern producers in terms of “the north and the south” and the “developed” and the “undeveloped”. However, the fact remains that Fair Trade has actually thrived on the construction/label of the “north and south” due to the different levels of development under specific international historical and politico-economic circumstances. The huge divide of “the developed and underdeveloped” have got to be redressed through much intensity and commitment, and Fair Trade could be one among many such efforts but not the

only one and the most important certainly. However, the paradox lies in the fact that in the name of bridging this gap, Fair Trade has been reinforcing this very gap directly or indirectly.

The idea behind the working of Fair Trade is based on the assumption that consumers are concerned about the plight of the producing community. And hence, they are careful about the products they buy and are ready to pay little more<sup>4</sup> to ensure that the producers are treated well in the production process or chain. The problem is that the information about the working conditions of the producers in the developing countries has usually not been made easily available. It has also been an expensive and problematic affair to extract such information. And the response of Fair Trade to this difficulty has moved over the years from the model of providing direct link between the consumers in the north to the marginalised producers in the south provided by the trusted charitable organisations (the beginners of the Fair Trade) to the one where product labels are largely acting as the guarantee or certification for their compliance with the Fair Trade principles.

Thus, Fair Trade through its actions and in idea and theory touches upon and extends the debate surrounding the binaries of north/south, consumers/producers and the developed/undeveloped. North-south subjects are being created and carried further within the Fair Trade world through making evident a particular set of conditions in a “producing south” to a “consuming north”. Certification<sup>5</sup> which is increasingly the new trend and accepted approach within Fair Trade is very much based on this very idea of regulating and presenting the conditions under which production has been undertaken in the countries of the south. It makes available the information about the processes and the places behind the origin of the commodities to the consumers of the global north. The certification or the label that comes with Fair Trade and the category of a “producing south” that the Fair Trade certification creates makes the conditions of production sound static even though they have been constantly getting negotiated between the two sides of the “consuming north” and “producing south” in the Fair Trade movement.

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<sup>4</sup> The concept and practice of Fair Trade entails in itself the payment of a Fair Price to the producing community involved through the respective producer organisations or the Fair Trade Organisations which involves an inherent Fair Trade premium in the case of the certified Fair Trade commodities and the payment of a minimum living wages at least in the case of manufactured goods thus keeping their prices a little higher than their counterpart products of the same nature and quality.

<sup>5</sup> The Fair Trade movement saw the introduction of the certification system within the Fair Trade scheme of things in the 1980s and it aimed at providing increased outreach and visibility to the Fair Trade movement and products.

## **Demystifying Fair Trade**

Fair Trade has been used in different senses in the international politico-economic discourse. The most common understanding of Fair Trade describes it as establishing a “level playing field” between various trade partners, generally these partners being the states (Balaam and Veseth, 2008: 109). So trade can be said to be ‘fair’ if all the trading partners or countries involved in the international trade follow the same norms, rules or principles for all the countries without any bias or they make and follow the same rules which they desire or follow for their own country. The highly unequal nature of the world divided into the developed and undeveloped world, however doesn’t always allow for such fairness in the literal sense to prevail. Thus, a trade practice could be said to be fair if it doesn’t involve the wide-ranging arena of “non-tariff barriers” such as “subsidies or social, labor, health and environmental standards which lead to distortions in global trade relations and cause ‘unfair’ advantages” (Cohn 2008: 206, Goldstein and Pevehouse 2007: 321). This definition of Fair Trade is very often sought by the developed countries in order to protect their domestic markets from the cheaper imports from developing countries. The cheap counterparts of some products in developing countries exist due to the lower labour costs or weaker environmental regulations in these countries which lead to a reduction in the production costs and hence to reduced product prices. Similarly, the farm subsidies given by the developed countries to their farmers lead to surplus production with low costs and low final prices and makes them very inexpensive in comparison to the farm produce of the developing countries thereby placing the developing countries at a less advantageous position with regard to their produce in the global market as well as in their own domestic markets which might be flooded with the cheap produce from the developed countries if not met with import duties and other barriers and could ruin the domestic markets. Thus, these kind of practices by both the developed and the developing countries are often cited as denting the “competitiveness” of the producers in the developed countries. Such measures are used as an example for corroborating the allegation against the producers of the developing countries that they are not trading on a fair basis. (Archer and Fritsch 2010:105)

Joseph Stiglitz offers a slightly dissimilar meaning of Fair Trade in his seminal work with the same name. His dealing with Fair Trade has achieved much eminence. He argues that principally a trade would only be fair and would lead to greater global welfare and development if it is without any barriers in the complete and true sense. However, the problem he cites in trade being not ‘fair’ is because of the structure of trade which happens to



be inherently discriminatory. Thus, in this discriminatory structure of trade does not fully incorporate the perspectives and the needs of the underdeveloped world. Moreover, the developed countries have been breaking the rules of this very trading system. His suggestions for making the trade 'fair' involve a "combination of state policy, better adherence to liberal rules and a more participatory, redistributive global trading system" (Archer and Fritsch 2010, Stiglitz 2006 and Stiglitz and Charlton 2005). Thus, Stiglitz's solution is an attempt to make trade more 'fair' for the global south. And the changes suggested by him are anchored more to the structural issues in the international economy rather than just being a piecemeal solution.

According to Wilkinson (2007:219), the Fair Trade movement's structure has three main components, viz., "(i) the organisation of alternative trading networks; (ii) the marketing of Fair Trade labelled products through licensed conventional traders and retailers; and (iii) the campaign-based promotion of Fair Trade to change both purchasing practices and the rules of conventional trade." According to Laura Raynolds, "Fair Trade represents a critique of historically rooted international trade inequalities and efforts to create more egalitarian commodity networks linking marginalized producers in the global South with progressive consumers in the global North" (Raynolds 2009). Thus, Fair Trade provides the producers and farmers with better prices, long-term trading networks, and resources for the betterment of the social and environmental outcomes from the production process. Fair Trade increases the choices of the consumers by providing them the option of buying products produced at supposedly higher social and environmental standards. It also campaigns actively among the ethically aware consumers. Thus the basis behind the movement is the idea that for the Fair Trade system to work, consumers must be convinced that the trade of several commodities under normal market conditions has been historically and still is unfair in some way or the other.

However, the word fairness has different connotations in different contexts and even when talking of it in the context of Fair Trade or even in the generic sense, it holds different meanings to different set of people and practitioners. The political efficacy of contentions surrounding unfairness in trade or unfair trade acts as a rhetorical device for the advocates of Fair Trade and is augmented by several causes. Firstly, almost everybody backs the idea of fairness. In fact, no one can rationally argue in support of unfair policies. So at least in principle, there is not much resistance to the idea of achieving fairness. Secondly, fairness is a multi-dimensional concept that has different meanings in different situations and contexts

as already explained before briefly. This suggests that even if a bunch of individuals are in support of fairness, each individual might in reality be supporting different ideas or conceptions of fairness at once. Thirdly, majority of individuals would automatically and powerfully react to situations they interpret as unfair. Owing to these very factors, convincing someone about the unfairness of something or some situation is tantamount to convincing them for backing activities, policies or movements that are aimed at protecting against or abolishing the unfairness.

In the last few decades, two parallel processes have taken place. Liberalisation and globalisation have brought up the living standards of many people. However, simultaneously there are many people in the Southern countries, especially those involved in the production of primary commodities whose condition has failed to see any change despite all the rhetoric of trickle-down theory.<sup>6</sup> These people continue to receive the lowest of wages and exist without any incentives thus perpetually keeping them in a state of poverty. The multilateral trading system of our times materialised in the embodiment of the World Trade Organization (WTO) has been vigorously promoting liberalisation/globalisation of the international trade and investment as the ultimate solution for these multiple ailments of the society. This is done in a larger context of Washington Consensus policies.<sup>7</sup> However, the Fair Trade movement has at least theoretically speaking believed and is based on the premise that current income inequalities are not only unfair, but are also often caused by the current structure of the international trading system, thus the roots of the plight of the poor producers are in the very unjust international system of trade and production which is ruling and governing the world.

Fairtrade International (earlier called Fairtrade Labelling Organizations International and now abbreviated as FLO), affixes a label to all such commodities that satisfy a set of criteria under “the set fairness standards”<sup>8</sup> thus claiming to assure higher prices and more sustainable production processes to the primary producers. This label is a product label guaranteeing the consumers about the outcome of the production process. Similarly, the World Fair Trade

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<sup>6</sup> Coming out as an associated corollary of the laissez faire economics, “trickle down” theory argues that benefits of economic growth in the society will automatically end up benefitting the non-privileged sections ultimately by trickling down to these sections of people.

<sup>7</sup> The Washington Consensus (the term coined by John Williamson in the year 1989) refers to a set ten principles consisting of free market economic ideas propagated and supported by international organisations like the World Bank, the IMF, the European Union and the US. In crux, the Washington consensus policies advocate free trade, free markets, floating exchange rate, privatization etc.

<sup>8</sup> These set of fairness standards would be discussed in detail in the upcoming segments of the appropriate parts of the thesis.

Organization (WFTO)<sup>9</sup> has come up with the system of Fair Trade Guarantee System (FTGS)<sup>10</sup> where a product produced with the due process and in accordance with the Fair Trade principles is given an organisational certification or label. Therefore, if consumers purchase a product with an official Fairtrade label<sup>11</sup>, they are assured about both the outcome and processes resulting from their purchase depending on the kind of organisational or the product label it carries.<sup>12</sup>

## **Debates on Fair Trade**

Miles Litvinoff and John Madeley (2007) in their work argue that buying Fair Trade products is a way of taking practical action to bring about a better, more generous world and make claims that it can help make poverty history. The FINE (an umbrella association of Fair Trade organisations, called so because of the four initials taken from the four leading Fair Trade organisations forming this “informal group of FLO, IFAT/WFTO, NEWS! and EFTA”)<sup>13</sup> states that certified Fair Trade brings positive changes in the lives of the marginalized producers and workers in the developing countries by providing them with guaranteed minimum prices which might go higher than the conventional market prices for their products, by availing for them the provision of a social premium to finance broader community projects for them such as building up and maintenance of schools, roads, health centres and other such facilities depending on the local needs of the community. According to the estimates by FLO (2015), the average Fairtrade Premium received per Fairtrade producer organisation stood at more than Euro 100,000 for the year 2013-14. The premium values per organisation and per capita increased for plantations and fell very slightly for small producer

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<sup>9</sup> Earlier called International Federation for Alternative Trade (IFAT), it was formed in the year 1989.

<sup>10</sup> Fair Trade Guarantee System or FTGS is a new evolution in the Fair Trade scheme of things in the last four years (since the year 2013) with its inception in the year 2013. It has evolved a more detailed and meticulous set of criteria for the member organisations of the WFTO to follow. It has been discussed in details in the latter parts of the thesis.

<sup>11</sup> Fairtrade, written as a single word is not be confused with Fair Trade written as two different words. Both these spellings represent the broader Fair Trade movement but the difference lies in the two different routes of Fair Trade journey undertaken by the products of different nature. While Fairtrade as a single word represents the product labelled/certified branch of Fair Trade movement represented by the Fairtrade International or FLO’s certification mandate, the latter Fair Trade represents the organisational certification route or alternative trading route of the Fair Trade movement represented by the WFTO.

<sup>12</sup> The product label guarantees for the entire process and the practices involved across the supply chain of a product for the fairness standards set for a product by the Fairtrade international, while WFTO organisational certification guarantees for the products like handicrafts which are unique in their style of production and hence they carry the WFTO mark which guarantees that the organisation involved in the production of the product follows a set of standards or fairness principles like living wages, working conditions, non-use of child labour, environmental norms etc.

<sup>13</sup> FINE is just an informal grouping of the four leading bodies or organisations in Fair Trade where F is for the FLO which stands for Fairtrade International, I is for IFTA (now called WFTO), N is for the NEWS! or Network of European Shops and E is for EFTA or European Fair Trade Association.

organisations in the same time period. Tallontire et al. (2001) maintain that engaging in Fair Trade also provides an incentive for producers and workers to reorganize their production processes in a socially and environmentally more acceptable manner. Many studies based on the field work done by Zadek and Tiffin (1996), Nelson et al. (2002), Boot et al. (2003), Murray et al. (2003) and Bacon (2005), assessing the impact of Fair Trade certification at the local level among the producing countries, propose that Fair Trade had brought positive outcomes for the producers in terms of non-tangible and non-monetary benefits like the development of their organisational skills. Many researchers in their work (Getz and Shreck 2006, Howard and Allen 2006, Loureiro and Lotade 2004, Shreck 2005 and Fischer 2007) have revealed how Fair Trade as a label was considered by the consumers as enabling them in making a political act through the process of consumption. Thus, efforts like Fair Trade appear appealing to the consumers in terms of its potential in providing a political choice-making for them through an act “as mundane as that of consumption.” For many scholars, Fair Trade has the potential of overcoming the namelessness associated with the very production process within the global trade. It does so by making the required information about a product, its producers and place of origin available for the consumers, thus reinstating a “moral economy” (Goodman 2004).

The work by Jacqueline DeCarlo (2007) which acts as a complete guide for Fair Trade especially for the beginners, admits that Fair Trade alone can't solve the problem of poverty. However, she stresses the fact that “its expansion could make a significant contribution for many people through the emphasis on need for trade justice, the importance of respect for human rights.” In the words of DeCarlo (2007), “Fair Trade has helped trigger a wave of consumer awareness and contributed by leading transnational corporations towards making some improvements.”

Fair Trade has also been critiqued from a wide spectrum of scholars consisting of different ideological standpoints. Scholars like Potts (2004), Henderson (2008), Booth and Whetstone (2007), Sellers (2005) and Weber (2007) posit that Fair Trade faces serious implementational issues and there exists a considerable difference between the claimed benefits shown by the numerous Fair Trade promotional resources and the actual benefits accrued through the producers' participation in Fair Trade. Some scholars also argue that the Fair Trade rhetoric underestimates the development opportunities created by the conventional international trade for the producers and workers in the developing countries of the South. These scholars on the neo-liberal side of the developmental debate assert that Fair Trade as a practice and

development tool and critique of the international trade system ignores the huge income growth caused by the system of conventional trade.

Another set of critiques question the actual benefits accrued to the producers out of the additional prices paid as premiums by the consumers for the Fair Trade products. The additional premium price is inbuilt in the price of the commodities and is charged as a “premium money”<sup>14</sup> which in some cases is as low as 10 percent over the actual price paid as premium by the consumers for a product. Even experts who support the idea of Fair Trade and its potential (such as Nicholls and Opal 2005) estimate that, at the most, “only 25 per cent of the extra price paid by a consumer for Fair Trade bananas actually go to the producers.” Nicholls and Opal (2005) explain that this happens because the “mark-ups are increased by the wholesalers (including producer organisations), traders (importers) and retailers in order to cover the Fair Trade certification fees paid by them.” Thus, in many cases a very less percentage of premium money actually reaches down to the producers at the end of the supply chain.

The Fairtrade certification fees has been questioned for being difficult and heavy amount for the producers to pay as observed by many researchers and scholars in various case studies in actual practice. Scholars like Hutchens (2010) and Renard (2005, 2007) also critique “the administration and promotional costs” associated with the practice of Fair Trade. According to them, Fair Trade has now developed into a “complex bureaucratic set-up” and a complete industry in itself. This has resulted in it charging “high certification fees” in order to cover for these costs and these are the segments/components in the cost which consume a major component of the Fair Trade price premium, thus preventing it from reaching its rightful recipients, the producers in full.

Thus as Fair Trade has been growing up to become more complex with time, it has been requiring more “international coordination” among its various stakeholders. Similarly, the institutions responsible for certifying and guaranteeing the Fairtrade label became more centralised and professionalised. This having negatively affected the main concerns of the

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<sup>14</sup>The Fairtrade premium price or money is an additional sum of money over and above the Fairtrade price, which goes into a communal fund meant for the workers and farmers to be used – as they wish it to be used. It is thus aimed at improving their social, economic and environmental conditions. It is the producers themselves who are supposed to decide as to what is most important for their development and welfare in terms of the use of the premium money e.g. choosing for the education or healthcare facilities of their offspring, or adding up on their existing business or in the construction and maintenance of important infrastructure such as roads, fences or bridges for the community.

Fair Trade movement that is the producers (Renard 2005: 422). This process of restructuring of the regulatory and administrative institutions through the growing institutionalisation and complexity of the Fair Trade has been simultaneously accompanied by such changes the producers had started losing their power gradually. Thus, the important position of producers within the Fair Trade movement suffered with this restructuring happening within the Fair Trade international bodies (discussed in details in the chapter 3). As Fair Trade certification became more expansive over time and spread to more countries and products as also expensive, it also included plantation production and in the process small producer organisations kept losing their significant position in the Fairtrade system. Thus, the movement has been questioned for its actual viability and claimed goals over time. Similarly, centralisation and professionalisation within the Fairtrade system governed by the FLO often led to a significant decrease in the number of regional producer meetings and reduced the status of producers from participants in decision-making to that of just a consulting one.<sup>15</sup>

Critics also question the shift in the membership of the Fair Trade practice. According to them, Fair Trade founders came from social activist backgrounds in the initial phase in unity with the “Third World”. However, the current membership of Fair Trade has seen a major change in pattern from that of the social activist background to that of people who belong to very dissimilar and varied areas united mostly by their association with the corporate or business backgrounds (Renard and Perez-Grovas 2007: 147). Moreover, decisions made by Fair Trade international organisations like FLO are now more in consideration with the commercial interests driven by the market more than ethical, moral or political considerations.

Fair Trade has also been repeatedly criticised for being “limited and idealistic” in its expectations from the producers. It has been critiqued for being largely dominated by the whims of the powerful stakeholders in the Fair Trade movement (Farnworth and Goodman 2006). Fair Trade has been said to be creating only inadequate involvement for the southern producers through the bias of the values of “northern consumers, activists and NGOs”, who are said to be playing more critical role in the Fair Trade movement (this has been discussed in greater details in the third chapter). It has also been alleged that transparency norms to be maintained under the Fair Trade scheme is followed only at “the producers’ end of the supply

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<sup>15</sup> The role of producers in the decision making bodies of Fair Trade has been an issue of contention and debate for the entire Fair Trade industry as well as it involves a significant north-south dimension which has been dealt in details in the third chapter.

chain”, while there is much less information disclosure from the other end of the supply chain (Wilkinson, 2007). More importantly, it has also been said that its tall claims of “bridging the gap between developed north and undeveloped south” notwithstanding, Fair Trade’s focus has been more on “middle-income” rather than on “lower-income countries”. A glaring proof to this being also the fact that 60 percent of the Fairtrade Premium was paid to producers in the “upper-middle-income countries”, while producers in lower-middle-income countries received 32 percent of the Fairtrade Premium in the year 2013–14. (FLO 2015). Also as Mohan (2010: 63) pointed out that the top four countries measured in terms of the number of Fair Trade certified producers in the year 2007 were “middle income countries” like Colombia, Mexico, Peru and South Africa.

Thus, the Fair Trade debates range from the claims and contentions regarding the goals, mottos, operational factors, changing contours of the Fair Trade scenario and the overall focus and repercussions of the Fair Trade movement. Various scholars cited above have presented different views based on the different studies and aspects of Fair Trade. However, these debates remain largely inconclusive regarding the merits and shortcomings of the Fair Trade movement and practices across the regions and continents, thus calling for more authentic and valuable research on the Fair Trade practice.

### **Case Studies on Fair Trade**

There is no dearth of empirical studies in the domain of Fair Trade but certainly, there is a dearth of product specific empirical studies as well as studies in the regions outside Latin America and some parts of Africa. Part of it has to do with the inherent bias in the spread of the practice which has flourished in many middle income countries and more so in those whose economies are more export based and which could cater to the demands of the global north. Moreover, whatever empirical studies are available are mostly focused on coffee and chocolate. These studies can be categorised on the basis of their focus on the impact of Fair Trade on the whole as a practice and the other being the impact of Fair Trade certification and labelling on the livelihoods and profits of the producers and their community.

A study undertaken by CEval (Center for Evaluation) for finding out the impact of Fair Trade on “poverty reduction through rural development” is important in this regard. The study which was undertaken between June 2011 and June 2012, covers the case studies of six following product categories and different producer organizations in different countries. This

study was done on varied products like “flowers (Kenya), cocoa (Ghana), coffee (Peru) to bananas (Peru), tea (India) and cotton (India).” (CEval 2012) The study revealed that small-scale farmers were actually getting benefits from Fair Trade on most of the indicators identified by the authors. But in terms of the socio-economic situation, Fair Trade producers seemed to get only somewhat higher incomes than producers in the respective comparison groups. However their study concludes better gains for the Fair Trade producers on the non-monetary benefits of Fair Trade which had better social indicators like health, education and gender.

The European Fair Trade Association (EFTA 2010) has compiled a summary of many impact studies done on Fair Trade since 2000 year-wise. Thus, it gives a glimpse about the kind of work going on across the world in the domain of the impact of Fair Trade on its beneficiaries. However, only a few of these have been known to use a rigorous comparison with their counterpart non-Fair Trade producers. The results from most of such studies generally highlight the positive impact Fair Trade has on “the production, sales and the participation” in farmers’ organisations, thus concentrating on the processes of the gains made out of the Fair Trade premium. However, little attention is paid to changes at the level of the producers’ “livelihoods and household-level well-being” and its implications on the individual producers or framers. (Murray et al 2003 and Taylor 2005). Nelson and Pound (2009) provide a succinct overview of the Fair Trade impact in different result areas. The study by Nelson and Pound (2009) has analysed the findings from 33 (out of which 25 are on certified Fairtrade coffee) case studies done on certified Fairtrade and its impact. These studies on Fairtrade were regarding the impact of Fairtrade certification on indicators such as “income, environment, gender, and producer empowerment.” However, most of these case studies are located in the region of Latin America and the Caribbean and a few in Africa. There are no case studies from the continent Asia. This shows the regional bias even in the Fair Trade impact studies. This is owing to the dominance of Latin America as a region and coffee as a product category in the history of Fair Trade and the continued bias in terms of the high sales percentage of Fairtrade coffee with respect to other certified Fairtrade products (it will be discussed in details in the chapter 2). Similarly, the study by Vagneron and Roquigny (2010) has combined the findings from 77 case studies done between the years 1998 and 2009 for the impact of Fair Trade on the producers of the south. Thus, the various economic outcomes related to Fair Trade for the southern producers are analysed. Again, these impact studies of Fair Trade are concentrated with 74 percent of the studies focusing on Latin America and the



West Indies and 92 percent on food products out of which coffee alone features in 50 percent of the studies. The leading products in these studies being coffee, bananas and cocoa. Both these studies present substantial evidence about the progressive side of Fair Trade, mostly on the incomes of farmers through the prices received by them. Their assessment covers the manifold dimensions like economic wellbeing, quality of life and the empowerment of producers, the gender justice and equity issues as well as the environmental impacts.

This wide-ranging review of the literature, has found substantive evidences for Fair Trade having provided positive monetary benefits for smallholder farming families that were able to join farmer organisations under Fair Trade. Majority of the studies covered under this found better earnings and steady incomes as the significant gains achieved by many Fair Trade producers, however these studies point out that Fair Trade has not always been capable of assuring “improved net household incomes” because of the increase in labour or other household costs.

Some other pioneering studies on Fair Trade like that of Bacon (2005) have compared brands and labels such as “Fair Trade, organic, and specialty coffees” in their capacity to support the “small-scale farmers’ in northern Nicaragua.” The results of the study denote that access of these farmers to Fair Trade certified coffee markets helps in achieving considerably higher prices and empowers them to develop their livelihoods. However field study conducted by Valkila (2009) and Valkila and Nygren (2009) on “Fair Trade organic farmers in Northern Nicaragua” are far more critical. According to these studies, organic coffee production requires higher labour efforts and gives lower yields. Therefore, “the net increase in the incomes” of the farmers is little for small-scale coffee producers. Farmers thus actually continue to be in their poverty-stricken situation despite being associated with “Fair Trade organic markets” (Bacon et al. 2008). Another important study is that of Mendez et al. (2010) covering 470 coffee producers involved in the production of Fair Trade, organic and noncertified coffee in the countries of Mexico and Central America (El Salvador, Guatemala and Nicaragua). This study found that Fairtrade coffee certification has led to an increment in the unit prices and the gross coffee revenues, but the average volume of coffee sold through even this certified route continued to be low and thus it hardly had any significant effects on many livelihood-related features such as migration, health and education of the producers.

Facts gathered from many studies suggest that participation in alternative trade networks like Fair Trade decreases the exposure and vulnerability of the producers to fluctuations in the

prices of the commodities. Farmers associated with coffee cooperatives and selling to Fair Trade markets got better and stable average prices and also felt more protected about their land tenure. However, even then, more than seventy percent of all the farmers studied have reported a decline in their overall quality of life. In order to better evaluate the benefits of Fair Trade, recent studies have expanded the number and types of indices used in assessing the benefits of Fair Trade. Thus, apart from income and consumption effects related to the Fair Trade impact on poverty reduction, attention is also given to other indices such as for “skill-development and knowledge of producers” (Imhof and Lee, 2007), “environmental effects” (Neilson & Pritchard, 2007) and “gains from the cooperative organisation and increased bargaining power within the value chain” (Petkova 2006 and Shreck 2005). Simultaneously, there is this running fear of the benefits of Fair Trade farmers leading in a loss for non-Fair trade farmers on whose cost the Fair Trade farmers may prosper if at all. Thus, as Ruben and Fort (2011) underline that no judgements can be made on the actual impact resulting out of the involvement of farmers with the Fair Trade practice.

### **Political Economy of Fair Trade**

Though an important practice on the global politico-economic platform, the discipline of IR has not paid much attention to analysing Fair Trade. Scholars like Stefan Fritsch and Candace Archer (2010) attribute this to two important reasons: first, the rationalist focus of the discipline and second, the negligence of the normative in the discipline. Archer and Fritsch (2010) thus point towards the need to look beyond the mainstream theories of IR and move towards the normative domain and social constructivist theories to explain for the growing popularity of Fair Trade. Thus, there is a significant political dimension behind the Fair Trade industry as a whole, be it consumer behaviour, interests of retailers, big corporations and at each point of value supply chain as well as within the complex network of Fair Trade which needs to be unravelled in details as this part is largely neglected in the various works available on Fair Trade.

Scholars like Eleftheria J. Lekakis (2012, 2013) point towards the various ways in which Fair Trade gives corporations with not so good reputation an avenue to mend their previous image. Citing the examples of various companies like Starbucks, Nestle, Marks and Spencer, Proctor and Gamble, she explains the manner in which their brand value and products have been made more appealing to the consumers and has led to what has been referred as “the balance between the fragility of capitalism and a social conscience”(Lekakis 2013:30).

As pointed out by Lekakis (2013:33), Fair Trade can prompt to make manipulation “through minimum involvement and maximum publicity” around this manufactured involvement through licensing (Jaffe 2010, 2012). In her very influential work called “*Coffee Activism and the Politics of Fair Trade and Ethical Consumption*”, Eleftheria J. Lekakis examines the phenomenon of Fair Trade and the politics behind it in many ways by even pointing towards the adoption of the nomenclature of Fair Trade instead of ‘alternative trade’ gradually so as to give the phenomenon and its objectives a milder tone while at the same time maintaining its benevolent claims of equity and justice. The work also points out “the solidification of traditional players, such as multinational corporations and retailers into the Fair Trade landscape.” She also points towards the politicisation and commodification of Fair Trade as a phenomenon as well as the Fair Trade products through the popularity campaigns and advertisements. Her analysis is very important and points towards many new dimensions when unravelling the politics behind the phenomenon. Thus the entry of the ‘big business corporations’ especially the multinational corporations with not so good public reputation such as Starbucks, Procter and Gamble etc. which have just been acting on a “profit motivation”, in an attempt to capture the ethical consumers, have increased the Fair Trade products and their sale in the global mainstream market. It has at the same time put to question the Fair Trade claims of social justice working for the need of the workers and peasants in the underdeveloped South (Fridell 2003: 6).

The growing involvement of big corporations within Fair Trade has generally been welcomed by the Fair Trade fraternity (Waridel 2002: 105-106) and it raises serious concerns about the restrictions levied on the movement by the requirements of the market. These corporations are concerned only with the need to save the damage done by their actions earlier and enhance their public image for the sake of profitability. Thus, even for very less and minimal commitments to Fair Trade (for example Starbucks retails out only around about 1-2 percent of the coffee beans certified as Fair Trade out of its total merchandise), these big corporations have the chances of gaining positive publicity through their involvement in Fair Trade. Such actions end up masking their actual agenda and commitment for the broader neoliberal project. For example big corporations like Sara Lee and Procter & Gamble successfully lobbied before the US government to abandon the International Coffee Agreement in 1989<sup>16</sup>.

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<sup>16</sup> It was in the year 1962 that the first International Coffee Agreement was established. This introduced a system of export quotas for the coffee producing countries. However the year 1989 saw the suspension of these quotas as a result of the collapse of the system under the pressure of demands from both exporters and importers for greater market shares under the new ICA then being negotiated. It was backed by the countries like the

These corporations were able to make huge gains as a result of the ensuing global coffee crisis while at the same time displaying their superficial support for the cause of Fair Trade. Besides this, even this minor commitment from these business corporations for the cause of Fair Trade acts as a major contribution for the Fair Trade network as a whole in terms of the visibility it provides through its retail channels. Thus Starbucks is now one of the largest Fair Trade roasters in North America. Fair Trade has the potential to give such transnational corporations as Starbucks immense power in determining the future course of the Fair Trade movement. These transnational corporations are known to be a major challenge to the survival of the small Fair Trade organisations (which usually sell all of their products as Fair Trade) and lack the “financial and marketing resources” at the disposal of these big businesses (Fridell 2004a). Such issues have led to a growing dispute within the various players of Fair Trade network.

The literature available both for and against contains many valid points which are true in a context and region. Also there is a dearth of literature on the expansion and scope of Fair Trade outside the Latin American and African regions. And as pointed out earlier, there is negligence in dealing with the international political dimensions of it. Of late the practice of Fair Trade has taken roots in India. Keeping the overall fervour of the arguments, this study tries to not just explore various theoretical and political issues behind Fair Trade but also substantiates it with the case study of India.

### **Rationale and Scope of the Study**

The study draws its rationale from the need to analyse the practice and intent of Fair Trade as it is having immense repercussions on the way the developmental issues are to be dealt in the world. These developmental questions involve the larger questions of poverty and inequality. The optimism associated with the phenomenon of Fair Trade may be the true for a part of the populace and territorial zone but it cannot be generalised, given that the practice itself is embedded in the very system, which it claims to rectify. It thus needs critical questioning through some empirical studies. India as a region in general has been understudied in this

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United States, the Central American states and Mexico press as they fought for a larger share of the market at the cost of Brazil (which resisted this attempt) and of the African producers. Big corporations like Sara Lee and Proctor and Gamble lobbied with the US government to let go of this International Coffee Agreement.

regard. Thus this study tries to include evidence from India to assess the Fair Trade debate from the perspective of and from the realities of this part of the world.

India as country has been a site for various important interventions for one of the most populous yet poor population densities in the world. The governments and ruling dispensations at the central and the state level have been known for their lack of connect with the people at the grassroots, be it because of the rampant corruption or the ill-designed policies, however, various measures on the part of the voluntary efforts by many organisations of national and international stature have been continuously weaving their own way for carving their own contributions in implementing certain programs meant for the masses e.g. financial inclusion and entrepreneurship through microfinance. And as the President of the Fair Trade Forum-India or FTF-I in one of his interviews given to the researcher for this study (Mallikarjuna 2015) says that Fair Trade completes the cycle initiated by microfinance by providing the necessary know how and other technical support to the targeted people thus making Fair Trade a very important measure in bailing people out of their poor situation.

It is in this context that Fair Trade as a practice needs to be studied for its claims and its actual repercussions for its people, the producers associated with the various producer organisations and Fair Trade Organisations (FTOs) within India (FTOs in India count up to be around 120 in number) and the people Fair Trade touches the lives of run in millions now. Thus a voluntary private initiative like Fair Trade with its roots in the international efforts needs to be placed in the Indian context and checked for its suitability and interactions with the Indian conditions especially with its diverse developmental and geographical realities across the wide ranging issues of the people of various regions. It is in this background that the study finds its rationale and scope within the Indian region and its realities. It studies/analyses the Indian part of the story of the Fair Trade movement which remains unexplored yet in its entirety. The works done so far within India for Fair Trade are very product specific and do not chalk out any general comments or trends for an India level study which is required as a part of the study of Fair Trade.

The study would unfold itself into three parts/ queries which I feel are essential in a country like India where regional/ state-level variations are really stark with respect to the condition of the people in the unorganised sector (which includes the minimum wages, livelihood opportunities, regional compulsions and government schemes). So this relates to the role of

the Fair Trade vis-à-vis the state specific conditions in a region where the Fair Trade producing community is based. It aims at bringing a co-relation between the performances of the given FTO vis-à-vis the role of the government/ state in relation to the performance of the producers associated with the Fair Trade practice. The second question relates to the performance of the FTO and the effects on the producing community in relation to the non-negotiable principles in the case of the manufactured commodities and in relation to the set standards for the agricultural goods respectively as explained before. I am purposely taking the non-negotiable principles only because that would make the study precise and would lead to less dilution in terms of the findings as the FTF-I itself categorizes into negotiable and non-negotiable principles thus giving some freedom to its member organisations to compromise/negotiate on some of the principles. The third query is related to the larger question of ethics and consumer's role and its scope and prospects for a country like India where the state has not been able to provide much for the marginalized producers. So in this scenario the goals of social justice, equity and development seem to at least complement government/state and its role for its people.

### **Research Questions**

- What are the international politico-economic dimensions of the Fair Trade practices?
- To what extent, the level of economic development of a country impacts the implementation of Fair Trade practices?
- What are the linkages and associations involving the interplay of ethics and market, developing and developed world as well as social responsibility and corporate world working behind the practice of Fair Trade?
- To what extent labelling and certification requirements impacted the equity concerns of the producers?
- In what ways does Fair Trade marks a departure from the normal trading practices?
- What is the potential of Fair Trade to redress the problems of social injustice and inequality in the global discourse in general and in the case of India in particular?

## **Hypotheses**

1. Fair Trade has been instrumental in bringing about piecemeal changes rather than structural changes in the lives of the producers in developing countries.
2. Fair Trade acts as an instrument of the neo-liberal forces thereby assisting in limiting the role of the state from the key areas of regulation and intervention through its claims of equity and justice.

## **Research Methods**

The research is critical-analytical in nature and carries an analysis of the practice of Fair Trade, taking evidences from the case of India and building theoretical premises for the same, thus making it deploy an inductive method. The study employs both secondary and primary sources. Secondary sources are used to build the larger theoretical debates on Fair Trade, thus building on the available literature on both international political economy as well as Fair Trade in general. The study also relies on primary sources like the resources from the institutions governing the Fair Trade practice like the Fairtrade International (FLO), Fairtrade International-Cert (FLO-cert), World Fair Trade Organisation (WFTO) and its regional networks and their counterparts in India like International Resources on Fair Trade (IRFT) and Fair Trade Forum-India (FTF-I) to understand how the network of NGOs, MNCs and the certifying agencies work in tandem to augment Fair Trade based business and create a parallel world and regime of development and justice claiming system which perhaps undermines and at times reinforces the very local laws and the state-run institutions which it aims at sidestepping for their non-functioning ways. These documents also include the annual reports of the organisations and their conference reports etc. to understand their functioning in the first hand from their own perspective.

The research on Fair Trade can be divided into two categories: case studies and broader assessments. The most commonly used method for analysing the effectiveness of Fair Trade is the case studies method which examines particular communities/co-operatives in a given area/region for the impact of Fair Trade. This method is useful for in-depth and detailed examination of Fair Trade at the producer or organisational level, however, it is insufficient and risky to generalise the impact of Fair Trade on one community or region for its obvious goodness/effectiveness or not. The other method of making broader assessments employs a

wider lens than the case study method and uses the broad-based analytical lens of looking into the available research on Fair Trade for its evaluation. This ensuing study combines both case study and broader assessment as a tool of assessment for Fair Trade.

Though ample evidences on the Fair Trade scenario in India is not known to exist given that the practice of Fair Trade is still only making its inroads within the country. Currently, it is going through a phase of mere visibility and recognition among the public to that of growing popularity. There are theoretical and critical studies from different parts of the developing world to bolster, substantiate and build over the given facts on the ground in the Indian context. Thus for the purpose of this study, the existing literature of Fair Trade for both within India and in the different areas of the world have proved to be of immense use when actually embarking on the journey of case studies.

The research also uses mixed methods (both qualitative and quantitative) to understand the functioning of Fair Trade and the various Fair Trade Organisations in India. It has used questionnaire based as well as non-questionnaire based informal interviews with the different stakeholders within the Fair Trade. The questionnaire based interviews were conducted with the various Fair Trade Organisations' CEOs or MDs to understand their idea of Fair Trade, its scope and working within India, their unique ways of adopting Fair Trade within their organisation, their idea of the commercialisation of the Fair Trade and their view about the role of the government in India in the field of Fair Trade. All these questions and many more were designed (see annexure no. 3) in a manner so as to broadly cover various themes for the understanding and functioning of the politico-economic linkages and the dynamics of the various FTOs and the role of the country network FTF-I in India in positing the case of Fair Trade before the public as well as the government and using it for their appropriate ends.

The field work and methods used in the study consisted of three parts:

Firstly, a set of about twenty Fair Trade Organisations out of around 120 existing organisations in India were selected for the questionnaire based interviews with their CEOs/ administrative members to inquire for the above mentioned queries regarding the picture of Fair Trade and their views on many related themes relevant to this study. Many of these interviews were conducted by personal visits to the organisations offices and thus the conversation extended to even beyond the limited scope of questionnaires. The interviews have been transcribed for the purpose of the study to get a clearer picture of many aspects of their organisation in particular and Fair Trade in general especially within India. These



organisations deal in various products ranging from textiles, handicrafts, toys, jewellery etc. and have producing communities situated in different parts of India. However, many questionnaires were filled through e-mail correspondence by the concerned representative of the organisation. All these interviews through the questionnaires have been divided into relevant themes for the purpose of the study and have been presented in the study.

The second part of the field work consisted of the in-depth case study of four Fair Trade Organisations representing the two approaches within the Fair Trade world, viz., the product labelling and the organisation labelling approaches. Thus two FTOs having product labelling from Fairtrade International (FLO) and two following the WFTO based membership norms and part of the country network FTF-I were chosen from different regions within India, viz., Kerala, Telangana, Bihar, Jharkhand. The purpose of taking these varied organisations from different areas and dealing in different products is that the study aims at incorporating the role of local governance and state structures and incentives by the government. Thus informal session of interviews which were semi-structured in nature were conducted with the producing community of each FTO and the sample size consisted of about 30 producers on an average in each organisation. A set of questions (see annexure no. 2) were asked from each of these producers at the different units of the supply chain on many relevant Fair Trade themes depending on the organisation which will be unfolded in the study. And these responses have been taken and observation based narratives about the work place of the organisation's producers, their living conditions, their lifestyles etc. have been used to corroborate the findings of the research. Each of these regions and their corresponding producing community were covered in around a week's time which was covered over a three month period.

The third part of the field study consisted of taking part in the annual conference and AGM of Fair Trade Forum-India in the year 2015 in the month of August held at Bhuj in Gujarat. This meet was very important in terms of meeting various practitioners of Fair Trade, listening to them on Fair Trade issues and experiences under the program of the conference as well as interacting with them informally on the occasion. Certain government representatives and supporters of Fair Trade were also involved into discussions on the issue. Also, this annual congregation proved immensely important in understanding the entire Fair Trade process within India. The AGM of the forum helped in understanding the functioning and issues and challenges involved with Fair Trade in India as it gave an access to the inside story of the entire platform within the ambit of Fair Trade in India.

Based on these field work experiences, the study has tried to incorporate several means within the field experience as primary data and used it mostly qualitatively, and at some places quantitatively if needed.

The difficulty in proceeding with the case study was not just about the diverse regions and the diverse producing communities it covered, but also about the complex puzzles of innate nature it touched through these case studies. These puzzles and complexities surrounding the debate on handloom vs. powerloom, dying and weaving techniques vs. modern technology equipped techniques, market oriented vs. producer's oriented nature of production, private vs. public, organic vs. inorganic, just to mention a few, are among the really big locus of issues touching the Fair Trade industry directly or indirectly. The role of the government and Indian state vis-à-vis the Fair Trade Organizations, their efforts and the effectiveness of their claims are very important issues that this study aspires to deal with.

The diverse nature of the producing community which touches upon the issue of Fair Trade also offers very interesting picture for the study. Thus the producers under the purview of the study associated with Fair Trade ranged from indigenous people/adivasis, to backward and poor Muslim communities, Christian farmers and Hindu weavers across the geographical range of the study undertaken.

The important part of the study was to bring the narrative surrounding the Fair Trade and its effects on this diverse range of geographical, economic and demographic range of the case studies undertaken. While livelihood and development have formed the core of the issues surrounding Fair Trade as a common factor in all these case studies, two important lenses used by the study for its purpose is that of 'Social Justice' and 'Poverty-alleviation', two important claims implied directly or indirectly through the various messages and statements of the Fair Trade movement worldwide. Thus these two lenses would be largely used to build the study and bring the critical issues 'Poverty and Livelihood' in Fair Trade practice and its implementation in India.

The purpose of this whole study is to unfurl not just the nitty-gritty of the Fair Trade practice in India but to delve deep into the co-relation between its claims and the actual evidence. Though there are around three lakh people and more than 120 Fair Trade Organisations on the Indian scene of Fair Trade practice, there is a lack of a proper study encompassing the basic nature of the Fair Trade in India, its functioning style across these organisations and the regulating and flourishing of this practice across the various regions and communities within

the country. The case studies undertaken is such that it represents both the most developed and the most underdeveloped regions, both the most forward and educated, and also the most socially and economically deprived sections within its ambit. It is being done is by evaluating the evidences against the set principles/criteria of the two parallel streams within the Fair Trade practice. Thus the principles in each approach, their desirability, mandatory nature or not and the actual evidences in the field would be taken parallelly to reach to the right kind of analysis for the field visits with the producing communities of the Fair Trade, the main targets of the movement.

### **Scheme of Study and Chapters**

The study is divided into four main chapters in addition to introduction and conclusion in a manner so as to cover the background and discuss the major theoretical perspectives on the practice of Fair Trade across the world, its evolution and adaption with the exigencies of the time and the politico-economic scenario of the world. The running theme behind all the unfolding chapters deals with how the concept and the practice of Fair Trade has been a product of its time and regional needs also. Notwithstanding the requirements of the southern producers, this practice also involves its own versions and biases at the application front. The ‘fair’ in the Fair Trade world is not a simple, generous word. In fact, the validity and meanings attached to it needs a critical examination.

The first chapter of the work, titled the “History, Evolution and Theoretical Debates on Fair Trade” aspires to cover two things simultaneously. A historical take on Fair Trade is taken to unravel its ideological and theoretical underpinnings as well as its evolution in general to gain an insight into the phenomenon of Fair Trade which is needed to make sense of the entire industry of Fair Trade, given that most of the works dealing in Fair Trade either take a historical or political or theoretical examination. A combination of the three perspectives is needed to understand the practice in its entirety and this is further carried on with the unfolding of the second chapter. Thus this chapter deals with the genealogical history of the idea of Fair Trade and mark the changes it has seen in its evolutionary process. Its evolution is traced through the debate on the commercialisation and viability of the movement in the larger global context.

The second chapter of the work titled, “Fair Trade across the Global South” owes its need to understand the practice of Fair Trade from the point of view and the standing of the global south, the very focus of the movement, yet only at the receiving end of it since the beginning as it is the global north that began and shaped the movement from the start. And no matter how much emphasis is put on bridging the north-south divide through Fair Trade, actually the very idea of Fair Trade has bloomed on this gap and keeps doing so despite all the efforts and mechanisms to cope with it. Also, the variances and the adoption of Fair Trade by region and networks within the south provide an interesting point of view from the producer’s side, their regional aspirations, demands and logic behind the Fair Trade practice. There have been demands for the various producers’ organisations which have been incorporated in the constitution of the Fair Trade’s representative bodies like World Fair Trade Organisation (WFTO) and Fair trade International (FLO) overtime. Thus, an examination of the two branches of the Fair Trade represented by the WFTO and FLO vis-à-vis their regional expansion and outreach in the global south has been carried out in this chapter and a special emphasis has been laid on the demands of the various regional networks of the south for Fair Trade for more say in the movement, the type of challenges and aspirations they have from the movement in their part of the world.

The next/third chapter titled “Fair Trade, Social Justice and Poverty-Reduction: Analysing the Evidence” comes to the analysis of the Indian case of Fair Trade. This part of the work locates the practice of Fair Trade in India into the paradigms of social justice and poverty-alleviation and draws links as to how it has fared in its claims vis-à-vis the unjust international free trade system which it claims to rectify through its efforts. For this part of the work, case studies were carried out by visiting various Fair Trade Organisations (FTOs) within India and studying their functioning and producing communities’ lives and the impact of Fair Trade on their lives, both monetary and non-monetary. Also, various units in the supply chain of the production of the organisations, their structure and functioning were carried out in order to gain an insight into the Fair Trade practice and its working within India. The case studies were chosen in a manner so as to cover geographically diverse areas and developmentally diverse regions too so as to capture the impact or not of Fair Trade within the producing community in a better manner.

The fourth chapter titled “Fair Trade in India: An Examination of the Politico-economic Linkages” seeks to deal with the case of Fair Trade in India and try to corroborate the theoretical claims which the study so far tried to make. It studies the working of the various

Fair Trade organisations and NGOs involved in India by examining their views on their organisation, their own evaluation of their impacts, their linkages with the government machinery in running the Fair Trade businesses and promoting the idea and application of Fair Trade on domestic as well as international front. Also, it would evaluate the kind of politico-economic interactions Fair Trade practice has with the Indian scenario, its governmental machinery dealing with similar issues and its societal repercussions.

The last chapter concludes the work by summarising various findings of the study through the lens of the research question, hypothesis of the study and its methods taken together. It presents its findings and evaluates if it fills the critical gaps in the available literature on Fair Trade, especially in the context of India.

## **Chapter 2**

### **History, Evolution and Theoretical Debates on Fair Trade**

#### **Introduction**

This chapter aims at bringing to the picture the genealogy of the Fair Trade practices. This is required owing to the fact that the whole idea of Fair Trade has been witnessing continuous changes with respect to the changing international political-economic scenario. Though the very idea of 'Fair Trade' in crux remains the same, the practice has seen many variations in terms of its evolution over time and adaptation across different regional settings. That is bound to happen with any such practice which involves issues of livelihood, social justice, development and environmental sustainability as different regions have different requirements and mechanisms to cope with such issues. However, this regional expanse and variation of Fair Trade is not the mandate of this chapter as it would unfold in the subsequent chapter (chapter 3), following the present one. The temporal development of the idea of Fair Trade is what this chapter aspires to undertake. It is very crucial to have the conceptual clarity of the whole idea and practice of Fair Trade as we see it today and specially the way it stands in India presently. Thus, the historical examination of Fair Trade along with an incisive theoretical examination of the phenomenon from various theoretical lenses as it has been variously debated by various scholars of variegated ideological positioning would also be undertaken in this chapter. That is needed to lay the background for the question of the Fair Trade practice's seen and unseen consequences for a developing country like India where the state has a key role as the supplier of social security and livelihood for the masses. Thus, the mandate of the chapter is to examine both the genealogy and theoretical debates surrounding the Fair Trade practice.

There are three common themes within the discussions on Fair Trade according to Naylor (2014: 274), which pertain to the sale of certified Fair Trade goods having or not been able to (1) create "consumer-producer linkages" and improve the production conditions; (2) support "trade not aid"; and (3) that Fair Trade's working "in and against the market." In other words, scholars have debated whether "Fair Trade certification is: non-fetishized, an economic development panacea for producers, and an alternative to the neoliberal market."(Naylor 2014)

## **The Idea of Fair Trade: Understanding the Concept**

Fair Trade has been defined in various ways and means. But, the basis to understand the concept of Fair Trade lies in the word 'fairness'. Thus very broadly, Fair Trade focuses on the 'fair means to a fair end' in the process of conducting trade which was originally conceived to be trading in the direction of 'products from producers in the south to be sold to the consumers in the north' provided they met certain standards of fairness in the process of the production (the entire supply chain of the production). Thus, the idea was to focus on the motto of providing the producers in the poor, undeveloped countries of the world their fair share of prices, rights and social stature which the conventional trading process had so far not been able to do, the producers being both from the agricultural and non-agricultural sectors. So to put it in the words of the world level bodies in Fair Trade, i.e., WFTO and FLO (2009), at the inspirational level, 'Fair Trade is, fundamentally, considered as a response to the failure of conventional trade to deliver sustainable livelihoods and development opportunities to people in the poorest countries of the world'. (WFTO and FLO 2009: 5) The most accepted definition of Fair Trade is given by the informal umbrella of organizations dealing in Fair Trade, viz, FINE [Fairtrade Labelling Organizations International (FLO), the International Federation for Alternative Trade (IFAT), the Network of European World Shops (NEWS!), and the European Fair Trade Association (EFTA)] in the year 2001,

Fair Trade is a trading partnership based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to marginalized producers and workers-especially in the South, and securing their rights. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, raising awareness, and campaigning for changes in the rules and practice of conventional international trade. (FINE 2001:1)

This working definition of Fair Trade given by FINE according to Raynolds et al. (2007:53) has two basic components: the first is to provide a model of international trade that makes a difference in the lives of producers and consumers engaged in it, which is to be done in such a manner that social objectives are met and the second, and more radical component, is to challenge the orthodoxy in business practice and to encourage business toward more social ends (Moore et al. 2006).

The strategic intent of Fair Trade as formulated together with the definition of Fair Trade in 2001 is to:

deliberately work with marginalized producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency; empower producers and workers as stakeholders in their own organisations; actively play a more substantial role in the global arena when it comes to achieving greater equity in international trade (FINE 2001:1).

Founded in 1998, FINE is an informal association of the four major organizations dealing with Fair Trade (Fairtrade Labelling Organizations International or FLO International, World Fair Trade Organization previously called the International Federation for Alternative Trade/IFAT, Network of European World Shops/NEWS!, European Fair Trade Organization or EFTA). It is involved in the management and coordination of events and activities of the associated organizations in the field of Fair Trade. It also takes active participation in lobbying for the idea of Fair Trade on the international arena.

According to the Fair Trade movement's joint statement, the goals of the movement are identified as follows,

(1) to improve the livelihoods and well-being of producers by improving market access, strengthening producer organizations, paying a better price, and providing continuity in the trading relationship; (2) to promote development opportunities for disadvantaged producers, especially women and indigenous people and to protect children from exploitation in the production process; (3) to raise awareness among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively; (4) to set an example of partnership in trade through dialogue, transparency, and respect; (5) to campaign for changes in the rules and practice of conventional international trade; (6) to protect human rights by promoting social justice, sound environmental practices, and economic security. (Raynolds et al. 2007: 5)

Thus, goods obtain the Fair Trade certification by the various Fair Trade umbrella organisations if they are traded under the terms of “a minimum guaranteed price and are produced in a manner deemed to be in consonance with the principles of democratic organization, non-use of child labour, recognized trade unions for workers, and environmental sustainability” (Fridell 2010), all the principles of the Fair Trade.

Thus the objectives of the Fair Trade practice include many developmental goals which are based on the promise of delivering equity, justice, transparency and sustainability and developing direct trade links between the producers and consumers by removing the intermediaries. The notion of Fair Trade was a construct of the global north based development NGOs and practitioners who gave it the form of a social movement with the aim of bringing some development and recognition in the lives of the poor producing communities in the underdeveloped countries of the sharply divided world of developed and



underdeveloped or the ‘global south and global north’<sup>17</sup> in the post second world war setting of the world order.

Thus the voluntary beginnings by a few NGOs started in the form of ‘solidarity trading’ and evolved gradually to ‘alternative trading’ with niche consumers being the targeted audience in their part of the world being at the other end of the Fair Trade chain. Mostly driven by the Christian Missionary Organizations, this movement was a result of the growing and emphatic will of the many concerned people and organizations that were trying to come to terms with the new ways of the world and the changing climate of the post-second world war era. Thus, the two common beginning points for the Fair Trade were ‘the refugees in the war devastated poor countries and the sharp and visible north-south divide of the time-period’ along which the Fair Trade’s initial version or what is called the Solidarity Trade in those days and considered its point of origin.

However, at the very outset, the different variants of the term Fair Trade needs to be clarified. The connotations of the word ‘fair trade’, (here F and T non-capitalized and the two words separate), the connotations of what this work has been using all over as ‘Fair Trade’ and the third variant Fairtrade (only one word) need to be explained with clarity at the very outset. These variants differentiable only in writing often create confusion in the minds of the readers. So, it is important to demystify the various meanings and their contexts in the world of Fair Trade. Thus, Fair Trade often construes different meanings to the knowers and practitioners in the Fair Trade domain. Thus, as Valiente-Riedl (2013:1-2) explains, fair trade and Fair Trade are two similar but different conceptualizations. While Fair Trade is a broader term for the numerous practices and ideas that have the potential to bring ‘fairness’ to the global trade, fair trade offers a larger and dynamic debate on trade within which a single possible definition of ‘fairness’ has not been achieved on account of fairness in trade being the very variable and wide ranging set of goals to be achieved as a part of this goal. Thus, in the words of Valiente-Riedl (2013:2), the former -Fair Trade – “offers a very specific and

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<sup>17</sup>The term ‘global South’ has been used by the Fair Trade movement to point at the developing countries of Asia, Africa and South America, where their primary targets or producers of the Fair Trade goods are based; while ‘global North’ is meant for the developed countries of “North America, Western Europe and the Pacific Rim”, from where the movement of Fair Trade began its journey and where the consumers of the Fair Trade goods are based. This bifurcation of ‘global north’ and ‘global south’ is not just a definitional choice but it is laden with political categorization. Thus, the global South has been created as a category which needs to be rescued through ‘trade or aid’ and here in the case of Fair Trade through trade. Thus initiatives like Fair Trade help in the construction of fairness in trading patterns between the global north and global south where the latter has been historically loaded with exploitative relationships.

one-dimensional understanding” of the word ‘fairness’ in trading. Again, in contrast to these two conceptualizations, Fairtrade, is a “registered trademark for a product label”. This trademark guarantees for the condition under which the trade associated with any products bearing the label is undertaken (Valiente-Riedl 2013:1). In other words, Fairtrade refers to the certified products which have been approved by the Fairtrade Labelling Organizations International, now called Fairtrade International or (FLO) and other such dependent Fair Trade certifying organizations. Thus Fair Trade, when written in different ways could bring different concepts and meanings. Here, in this entire work, unless specified, the author would be using the words ‘Fair Trade’ throughout in the given and specified meanings as explained above.

Fair Trade has also been defined in the context of the era of the onset of globalisation and has been explained as the one among the many movements, drives, and initiatives that have arisen in the recent times as a response to the pitfalls of globalisation. It has been conceived as one of the new globalization movements as against the anti-globalization ones, in the sense that Raynolds et al. (2007) has described it in the following words,

Fair Trade is best understood as an emerging response to the negative effects of contemporary globalization, and particularly to the often unjust and inequitable nature of contemporary international trade. As such it is not an “anti-globalization” movement, but instead it is part of what we describe as a “new globalization,” being developed through counter-hegemonic networks (Evans 2005) pursuing a strategy of reframing globalization from below (Falk 1997).

However, another set of scholars regard Fair Trade as contesting the challenges and negativities of globalization-borne era and confronting its consequences directly. However, this is still a highly debatable issue as to where the practice and movement of Fair Trade is actually situated, i.e., at which side of the spectrum of the globalization debate. It would be looked into greater details in the upcoming sections of this chapter.

It was in the year 2009 that Fairtrade International (FLO) and the World Fair Trade Organization (WFTO), both the international level bodies in Fair Trade approved the “charter of Fair Trade Principles”. This charter (WFTO and FLO 2009) acts as “a single international reference point for Fair Trade”.

### **Beginnings of the Notion and Practice of Fair Trade**

Fair Trade as an idea and a practice saw its origin (in its elementary form) in the post Second World War efforts by the Christian Missionary organizations to help the disadvantaged

producer groups situated in the underdeveloped world (whose war ravaged economy posed challenges) by offering their hand made products, markets in the developed corners of Europe and United States. The frontrunners for the cause were organizations like Ten Thousand Villages (TTV) earlier known as Mennonite Central Committee (MCC) (earlier known as the “Mennonite International Development Agency”) and Sales Exchange for Refugee Rehabilitation and Vocation (SERRV) International in the US and the Oxfam UK and the Dutch Catholic group, Fair Trade Organisatie (formerly called S.O.S. Wereldhandel) in Europe respectively. Thus, the initial efforts in the practice of Fair Trade can be traced back to this time period of mid-1940s with the US-based religious organization MCC or what is now known as Ten Thousand Villages (Kocken, 2003; Wills, 2006: 9). The NGOs led solidarity trade movement which was the precursor to the present day Fair Trade bore three important characteristic features. According to Sylla (2013:35), firstly, all these efforts were headed by religious movements. Secondly, the advancement of a just and fairer North-South trade was involved as a new element to this solidarity approach so far confined to specific causes and social groups (namely, the cause of refugees and other war victims). And lastly, based initially on a charity principle, these initiatives had not aimed at expressing any opposition to the established order of the times; rather they simply hoped to somehow assuage its detrimental effects.

Thus, it was only with the developments on the politico-economic scenario at the international level that the precursor to the Fair Trade or what was then called solidarity/alternative trading slowly started to look for changes into the global order of things and challenging the prevailing international trade regime.

According to Lin and Jennings (2014: 24), the history of Fair Trade, as stated by Nicholls and Opal (2004), includes four waves of development. The first phase of development of the Fair Trade movement dates back to the Second World War when charity based organisations in developed north such as Oxfam in Western Europe and the Mennonite Central Committee in the USA started to import handicrafts from Eastern Europe and parts of South hoping to help their recovery from the War. This phase corresponds to the conceiving of the idea of Fair Trade in the 1940s. The second phase of development of Fair Trade comes when Alternative Trading Organisations (ATOs) such as “Traidcraft in the UK” and “Gepa in Germany” came up with an ambitious plan of promoting direct trading between the producers in developing countries and importers in the West thus removing needless costs such as the ones incurred due to numerous middlemen. It corresponds to the development of the ATOs and

involvement of many socially inclined individuals and groups in the decade of the 1980s. The third stage of its development came with the development of many concerned retail businesses such as the co-operative group in Britain and Wild Oats Markets in the USA which led to the introduction of Fair Trade to the mainstream market in the 1990s. These groups had started promoting Fair Trade products to a much wider consumer base than before. Then the Fair Trade system saw a really path-breaking arrival of sorts with the fourth phase when large corporations became part of the Fair Trade cause with companies such as Costa Coffee, Starbucks and Sainsbury's selling Fair Trade products on their shelf. This phase saw the mainstream market entry of many traditionally dominant players into Fair Trade in the early 2000s. However, Low and Davenport (2005a) argue that such linear outline of the history of Fair Trade movement such as this one is not quite effective in understanding the phenomenon in its entirety because of the peculiar national socio-political settings involved in its evolution. However, this study posits itself on the premise that the evolution of Fair Trade has to be reflected upon and in the context of the larger happenings of the politico-economic scenario of the world. In the words of Lekakis (2013), in the course of around six decades, various political and economic transformations have affected the Fair Trade movement and have led to the metamorphosis of Fair Trade from being the "business" of solidarity groups to being part of the world of business." (Lekakis 2013:22)

Thus the Fair Trade movement's history is replete with both efforts from the various individuals and organisations whose efforts in different regions and national contexts helped the Fair Trade practice take shape into a movement and evolve in its present form. This type of tracing of the historical path of Fair Trade does not follow a linear path and has sporadic instances of its shaping up from the various corners of the world but mostly the Global North. However, the important role of the politico-economic environment of the globe and the conditioning of Fair Trade on account of the typical circumstances thrown up by these factors cannot be afforded to be lost sight of. The international politico-economic conditions also were equally conducive and contingent upon making Fair Trade grow in its volume, intensity and form by changing not just its focus but also its temperament. Thus as Nichols and Opal (2005) have analysed the evolution of Fair Trade in terms of its changing focus from firstly, the focus on processes in its first phase, secondly, the focus on products in the second phase and thirdly, the focus on places in its third phase<sup>18</sup>. To a large extent his analysis justifies the

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<sup>18</sup> This analysis by Nichols and Opal (2005) talks about the changing focus of Fair Trade from processes, to products to places presents an interesting insight into the study of Fair Trade through changing times.

Fair Trade practice's changing focus over time and helps in determining its course of action in the future.

Thus this study in tracing the evolution and history of Fair Trade would move back and forth in using both the role of important contributors like various organisations and individuals in different regional settings as well as would trace out the international politico-economy debates and circumstances of the last seven decades to analyse the Fair Trade practices in a just manner.

The role of various organisations turning up to be an important one, unfolds in the upcoming section through the role of two pioneering organisations TTV and SERRV.

#### *Role of TTV and SERRV in the US*

Ten Thousand Villages is an important organisation which spearheaded the genesis of Fair Trade. It started with the initiative of direct trading with the producers of needlework from Puerto Rico due to the efforts of Edna Ruth Byler, a businesswoman having concern for the poverty of craftswomen. Thus, Ten Thousand Villages began its operations in 1946 when Ms Byler, an MCC worker, on her visit to the volunteers working in Puerto Rico who were engaged in taking sewing classes for the poor local women to improve their lives, brought home several embroidered pieces from these women to sell them to friends and neighbours. The pieces became very popular and she soon added the cross-stitch needlework from the Palestinian refugees and the hand-carved woodenware from Haiti to her list of saleable pieces. In 1950, TTV set up a project to provide assistance to Palestinian refugees in Jordan. This project was renamed SELFHELP Crafts in 1968 and led to the inauguration in 1972 of the first SELFHELP shop in the United States. Thus, under the impetus of Ms Byler, TTV started importing textile products made in Puerto Rico and Jordan in order to resell them within a network of Mennonite churches and women's groups in the United States. At the end of the 1980s, the number of SELFHELP shops in the United States and Canada were estimated at more than 120 (Fridell, 2007). TTV achieved record sales of \$20 million in sales in 2006 (website of TTV). Thus the flourishing business by the early 1970s had grown enough to be expanded outside of Ms. Byler's basement and came to be known as SELFHELP CRAFTS, an official MCC program. The big number of faithful customers and volunteers of the MCC helped in making this initiative into the strong Alternative Trading Organization (ATO) that, in 1996, came to be known as the Ten Thousand Villages (TTV).

The inspiration for the name TTV came from a quote of Mahatma Gandhi: "...India is not to be found in its few cities but in the 700,000 villages...we have hardly ever paused to inquire if these folks get sufficient to eat and clothe themselves with." (TTV website) According to TTV's message on its website, "...to them, each village in the world represents a unique and distinctive people, offering extraordinary products born of their rich cultures and traditions."(TTV website) According to the annual report for the year ending on March 31, 2014, TTV's total annual sales volume turned out to be approximately \$28 million, with the substantial part of their revenues coming from their robust "network of retail outlets" (Brighter Futures 2014: 11)

SERRV International or Serrv like Ten Thousand Villages (TTV) is also a recognized forerunner in the Fair Trade movement, with its origins in the year 1949 as one of the first FTOs in the United States. TTV is a founding member of the World Fair Trade Organization (WFTO, earlier known as IFAT) and the Fair Trade Federation (FTF) both, SERRV strived to bring positive changes in many lives by providing them the prospects of breaking "the cycle of poverty." SERRV begun its operations by purchasing handicrafts (including watches) made by the refugees in Europe in order to resell them in the United States. It started its work with a small group of "Church of the Brethren" relief workers who were helping the refugees in rebuilding their lives after the Second World War. The first product sold by them was a cuckoo clock from Germany. As of the 1950s, SERRV focused its action on crafts artists living in the South. By 1958, the first Alternative Trading Organization (ATO) was established by SERRV to sell these goods to the US consumers. Its action became more and more popular thanks to its partnership with the Church World Services. In 2008, its annual sales were estimated at close to \$10 million (SERRV website).

SERRV was initially an abbreviation for "Sales Exchange for Refugee Rehabilitation and Vocation", but since their mission and work expanded enormously, they now use Serrv as a single word on its own. In 1999, Serrv evolved as an independent non-profit organisation. Over the passing years, Serrv has steadily amplified its impact through the increasing number of associates it works with and the large developmental work claimed to be done by them. In their own words, (Serrv Website),

from what began as a small black and white catalog of a few items and one gift shop located in New Windsor, Maryland, they have grown to offer a large range of products through seasonal catalogs, three Serrv-owned stores, and hundreds of retail stores and churches throughout the country.

The next important name in the building up of the Fair Trade movement is that of Oxfam and a few more organisations without whose mention its history remains incomplete. Thus the next section unfolds in tracing out their important role.

*Oxfam in the UK, Fair Trade Organisatie and Others in the Continental Europe*

Oxfam UK outlets used to sell the goods made by the Chinese refugees in Europe. Simultaneously, groups in the Netherlands set up importing organisations for producers' goods under the name Fair Trade Organisatie (1967). In Europe, the British NGO Oxfam was one of the pioneers of the movement for solidarity trade. Originally, its mission was to collect funds in order to help war victims confronted by famine. At the end of the war, it set itself on the mission of fighting poverty in the South. From 1950, it started selling handicrafts made by the Chinese refugees. In 1964, the first ATO was created in Europe. In parallel, in continental Europe, SOS Wereldhandel, later renamed Fair Trade Organisatie, was founded in 1959 in the town of Kerkrade (Netherlands) by a group of young members of the Catholic party. This association at the outset helped poor communities in the south of Europe by providing them with vocational training. In 1967, it started specializing in the import of products from the South. It was in the year 1969 that it opened the first World Shop. Initially specialized in the sale of handicrafts and cane sugar, World Shops gradually broadened their product range. The introduction of coffee in 1973 marked the gradual substitution of handicrafts with agricultural products in the Fair Trade practice (Fridell 2007).

Some authors have also proposed that Fair Trade started in France through Abbé Pierre's plea of 1971 to help Bangladesh. Bangladesh was then absorbed in the battle of its political separation from Pakistan. Abbe's idea of twinning communes in France with communes in Bangladesh led in 1972 to the creation of the UCOJUCO (Union des Comités de Jumelage de Coopération; Union of Cooperation Twinning Committees). The mission of this organisation was initially to collect funds for the communes of Bangladesh. After two years only, Artisans du monde was created by UCOJUCO in order to promote handicrafts from the South. In 1975, Artisans du monde and UCOJUCO got separated following divergences on the direction of their movement (Ballet and Carimentrand 2007, Jacquiau 2006).

In 1992, Oxfam provided a helping hand in setting up of the Fairtrade Foundation. Fairtrade Foundation is a London based organisation that grants licenses to companies selling Fairtrade-certified products in the UK, which allows them to use the logo on their packaging. They also encourage businesses to switch to Fairtrade, and raise awareness of Fairtrade

amongst the general public. Fairtrade Foundation as an organisation provides consumers with a guarantee that the goods on sale are certified and that they have been fairly produced and traded. The Fairtrade Foundation has equivalent 'sister' organisations in 23 other Fairtrade consumer countries. The Fairtrade mark or label is conceptualized as a means to provide assurance to the consumers that the labelled goods have been produced under equitable and fair conditions and partnership between sellers in the industrialised world and the producers in the developing countries who received a fair wage for their work.

The next section narrates the journey of Fair Trade in its various phases by broadly discussing the different phases in its evolutionary journey from the solidarity and Alternative trading phase to its mainstreaming. Discussing Fair Trade through these phases is important to highlight the important events and factors which shaped its evolutionary trajectory and its focus areas.

### **Solidarity Phase/ Alternative Trade Phase**

During the formative decades of the Fair Trade movement from the 1940s to the late 1980s, the movement was built through the efforts of a range of religion/charity based solidarity groups which gave way to small-scale Alternative Trading Organizations (ATOs). These ATOs were organisations specifically created in order to participate in 'fair' trading relationships with producers in the South (Anderson 2009). The most pertinent time frame for their existence is from the 1960s to the early 1990s.

As stated out earlier, according to most existing research works, the history of Fair Trade started just after the Second World War. It was initially a solidarity approach, referred to in those days as solidarity trade, called so because of the solidarity shown by the altruistic people and organisations working in the global north for the people of the global south, also most of the these organisations were missionary/church based working through solidarity networks and connections across the various parts of the world.

It was in the middle of the 1960s that a new protest movement saw the light of day. It aimed to introduce alternative trade. It was only a few decades later that the concept of Fair Trade gained strength. In the words of (Moore 2004: 76), the name ATO 'stems from the early days of Fair Trade where 'fair' seemed too weak a description of the vision that these companies had'. These ATOs were generally non-profit or not-for-profit organisations dedicated solely



to the promotion of the idea and practice of Fair Trade. Thus, the concept of ‘fairness,’ in contrast to the notion of charity that formed the basis behind the earliest ATOs, became the backbone of the Fair Trade discourse in the North by the 1980s (Raynolds and Long 2007:16). Now, Fair Trade itself has become a key to distinguish between the concepts of ‘charity’ and ‘justice’ that has become so fundamental to the contemporary Fair Trade movement’s unique identity vis-à-vis other efforts at uplifting the poor.

However, this important move from the ‘framework of charity to a framework of justice’ within the Fair Trade movement did not take place in isolation. It took place within the context of a major overhaul in the way the discourses surrounding the concept of ‘development’ and ‘underdevelopment’ were formed and understood. This being most eloquently taken up through the slogan of ‘Trade Not Aid<sup>19</sup>,’ through which organisations such as the United Nations Conference on Trade and Development (UNCTAD) and later the Oxfam sought to remould the global discourses in development particularly for the underdeveloped people and countries of the south.

The ATOs as organisations/pre-cursors to the contemporary Fair Trade Organisations or FTOs had an organisational base which was structurally mostly “voluntary, co-operative, or built on wage labour with a modest pay scale” (Fridell 2009:82). However this situation didn’t continue for long and changed with the introduction of the FLO based product labelling system beginning in the late 1980s which is known as the beginning of the phase of mainstreaming of Fair Trade and has been explained in a separate section (section called “The Phase of ‘Fair Trade Mainstreaming’”) in details.

In the words of Carol Wills from IFAT,

The word “fair” wasn’t the word that was used at all to start with, it was “alternative”, that these types of organization were providing an alternative to conventional international trade which tended to marginalize small producers. I think alternative was rather a good word, because it was alternative in all kinds of ways, cutting out the middleman, trading directly...; alternative distribution channels; alternative work force, volunteers in many cases...But then the word went out of fashion in a lot of countries and tended to get associated with brown rice and sandals and beards...It was just not seen to be the right word anymore. Well, [Britain’s national labeling initiative] the Fairtrade Foundation came in at the beginning of the 90s and the phrase “Fair Trade” began to be widely used” (Carol Wills as quoted in Nicholls and Opal 2005: 12)

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<sup>19</sup> This slogan was given in support of the Fair Trade movement and gained popularity through the 1960s and called for the demand to buy products from developing countries instead of providing them with foreign aid. Proponents of this slogan were of the opinion that it represented a more sustainable and less dependent form of development for the countries of the south.

Thus, what started in the form of solidarity trade organisations initiated and driven by the religious charity began to radicalize and to structure its initiatives around the concept of 'alternative trade'. For these organisations, religious charity was no longer an adequate response for the problems of the south. Thus the concept of alternative trade was gripping the world of Fair Trade. Actually solidarity trade and alternative trade were an overlapping category during the first phase of the Fair Trade and its evolution in the west. Thus, the first Alternative Trade Organisation (ATO) was created by Oxfam in 1964. After that the concept of World Shops that appeared later was popularized.

ATOs were comparatively identical in their organisational structures and practices, including their non-profit legal forms, enormous use of volunteers, use of retailing through World Shops and concerned networks (such as church groups). They were also marked by their small turnovers and dependence on other funding sources such as gifts and public subsidies. Traidcraft in the United Kingdom, Artisans du Monde in France, and GEPA in Germany were the pioneering ATOs in the continent of Europe. These ATOs were instrumental in the institutionalisation of the movement of Fair Trade (especially in the north) (Huybrechts and Reed 2010).

Thus, it was political activism which gradually took over the religious charity approach in the gradual overlapping transition from solidarity to alternative trade phase of the evolution of Fair Trade. The radical questioning of the free market approach in this phase of the Fair Trade was in correspondence to the development of the integrated value chains that operated outside of the free market system of trading. Thus, the products (which were initially handicrafts and later included agricultural products) were imported from the South by a group of purchasing organisations which were then to be sold in the dedicated shops meant exclusively for these products in the North. However, a major limitation of this phase of Fair Trade or this approach is that it confined Fair Trade to the realm of small niche organisations and niche markets and hence did not visualize its widespread expansion. This is how Fair Trade emerged under the label of Alternative Trade after the Second World War. As Michael Barratt Brown (1993) has analysed rightly that the requirement for the concept and practice of Alternative Trade originated from the structural isolation that the producers in the south faced from the wealthy western markets. (Barratt Brown 1993; Shreck 2005). In this pattern of trading, high percentages of the retail prices were held by actors who held higher positions in the supply chain and the poor producers had only limited gains. A further consequence of this type of trading system was that the producer organisations often ended up seeking to

compensate through mechanisms involving social and environmental externalities such as assigning low prices to the suppliers of raw materials and by debasing environmental assets through over-exploitation of natural resources.

In order to correct for this kind of a situation, a number of different organisations from both the north and south decided to act along a more-relational model and let go of such exploitative system from their mode of action and trading (Smith and Barrientos 2005). As a result, the Alternative Trading was developed which was based on the idea of a partnership (Tallontire 2000) between socially oriented northern Alternative Trade Organizations (ATOs) - accountable for the import and retailing of goods - and southern producer organisations - which organised the production and export of those goods. It also entailed the provision of supportive services to individual producers in the south like marketing, product development and financing (LeClair 2002). So, this is how Fair Trade saw its beginning and development. The ideas, inspirations and historical context to this phase have been elaborated in a separate section dealing with the ideological and political economic evolution of Fair Trade.

Parallel to the development of the FLO or certified Fairtrade, the Alternative Trading Organisations or ATOs dealing in direct importing and selling of primarily craft goods also formed a set of networking and coordinating bodies in the 1980s and 1990s by bringing together several splintered organisations. The first among such organisational formation was the establishing of European Fair Trade Association (EFTA), which was formed in 1987 on an informal basis and gained a formal status in the year 1990. EFTA now consists of at least 11 FTOs based in the 9 European nations. Similarly another institution in the field of Fair Trade called the Fair Trade Federation (FTF) emerged out of the yearly conferences which were being carried on since the 1970s by the ATOs in North America. Thus the FTF was officially formed in the year 1994 (originally known as the North American Alternative Trade Organization-NAATO) to support, coordinate and do networking among the existing US and Canadian FTOs. It was in the same year of 1994 that the Network of European World Shops (NEWS!) was formed in order to form a united position and voice of the Fair Trade practitioners in the European politics. The International Federation for Alternative Trade (IFAT), now known as the World Fair trade Organisation (WFTO) was formed in the year 1989 to act as a connecting force among the various kinds of existing European and North American ATOs and to unite them in a better way with their Southern counterparts in the continents of Asia, Africa, and Latin America. It was in the year 2009 that IFAT's nomenclature changed to that of World Fair Trade Organization (WFTO).

## **Formation of the then IFAT (now WFTO)**

The formation of WFTO is an important development in the history of the Fair Trade movement as it marks an important departing point in the evolution of the ATO based Fair Trade. The significance of WFTO as an important organisation/body lies in the fact that it controls/manages the FTO Mark which has been the ‘sign of a true FTO,’ displayed by the members and the monitoring organisations. This FTO mark ensures that the WFTO members are acting in accordance with the WFTO Standards or principles for FTOs (see annexure no. 1 for the WFTO principles). Under this system of WFTO standards, the members are asked to self-evaluate themselves relative to the set standards of the WFTO and then they are peer-reviewed by the other existing members of the WFTO. This system also involves that each year, a group of randomly chosen members of the WFTO are subject to an external review by an independent auditor. Thus another step toward solidifying the trustworthiness of the ‘fairness’ claim for a wide-ranging audience, WFTO has been developing a robust and more integrated system for defining its membership criteria and also monitoring, and introduced the “Sustainable Fair Trade Management System” (SFTMS) which has given way to “Fair Trade Guarantee System” now. (WFTO 2009, 2013).

The ATOs that proliferated in this era gave rise to the exigency to create a network governing such organisations. This need to have a network organisation for coordinating and governing the proliferating ATOs got materialized through the creation of the International Federation for Alternative Trade (IFAT then and now WFTO).<sup>20</sup> The formation of WFTO thus needs discussion.

By the 1970s, as also discussed in the section above, the ATOs had started meeting informally in conferences every few years to talk about issues that concerned all of them. At one such Conference in Berlin in 1987, Alternative Trade Organisations (ATOs) decided that they needed a formal system of governance for themselves. Thus, “a steering committee was set up to plan for the creation of a Federation for Alternative Trade. They worked on a draft of a constitution which was presented to 38 ATOs meeting in Nordwijk aan Zee, Netherlands in May 1989.” (WFTO website) This steering committee visualized a federation of northern ATOs. Thus, after a great deal of argument and discussion, particularly about the inclusion

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<sup>20</sup> Earlier called IFAT, it was renamed as WFTO in the year 2009. During an interview with the President of Fair Trade Forum-India, an interesting point was made by the President that this re-nomenclature happened in order to make WFTO sound like an alternative to the WTO and put an emphasis and visibility to the whole idea of Fair Trade vis-à-vis the free trade regime propounded by the likes of the WTO.

of the producers as the members of the new organisation - the constitution was approved, an executive committee was elected and that's how the International Federation for Alternative Trade (IFAT) was born in May 1989. Then, the producer representatives joined this executive committee to discuss the issue related to the participation of the producers within IFAT. These representatives were assigned with the work of starting discussions in their regions and then to carry their proposals to the Conference to be held in Kilkenny, Ireland in 1991. This Conference theme was "International Partnerships, ATOs in the 1990s." It was agreed that producer organisations should be invited to join IFAT as full members. Thus gradually, IFAT also included alternative trading organizations (ATOs) from the United States (grouped in the North American Alternative Trade Organizations, or 'NAATO', network) as well as the producer organisations. Thus the cycle for the evolution of the non-labelled direct trading ATO form of Fair Trade saw its culmination in the foundation of IFAT/WFTO which forms a distinct approach in the Fair Trade practice across the world.

As mentioned earlier also, by the 1980s there was a parallel stream of commercialisation wave rising within the Fair Trade world. Thus the "direct trade" route as a tool to help the poor in the southern countries as envisioned and shaped by the International charitable organisations in the north serving themselves as intermediaries in order to help them sell their goods to consumers back home could not go very far. The reason for this was that the demand for these early Fair Trade products was highly and solely dependent on the trust of the concerned consumer citizenry in the countries of the sponsoring organisations. Thus, these organisations had to be involved at every step in the supply chain to maintain the credibility of the system. Thus by the late 1980s and the early 1990s, many organisations interested in the Fair Trade model created a certification and labeling system that expanded the potential market of Fair Trade commodities enormously by allowing mainstream retailers to begin selling the Fair Trade products. A lobby within the Fair Trade which led to its mainstreaming spree believed that the ultimate success and growth of Fair Trade lay in the commercialisation of the Fair Trade route and thus began the concept of mainstreaming and this commercialised mainstreamed variant of Fair Trade exists hand in hand with the non-commercialised precursor of the Fair Trade and is being dealt with in the next section.

### **The Phase of 'Fair Trade Mainstreaming'**

The term mainstreaming in the Fair Trade world suggests a major departure from the earlier phase of niche markets and solidarity and alternative trading phase. Mainstreaming is actually

the bringing up of the Fair Trade from its exclusivity to the domain of conventional markets. It signifies the opening up of the Fair Trade businesses in the commercial throngs of the world. It is marked by the increasing spread of the Fair Trade practices across the world and within the regions through “commercialised channels”. This is characterised by the manifestation of Fair Trade products in the ‘mainstream’ distribution channels (i.e., major supermarkets, coffeehouse or restaurant chains).

Mainstreaming is most conspicuously present through the increasing partnerships of the Fair Trade businesses with the ‘conventional’ players of the market in the production process (i.e., large plantations, multinational agribusinesses) and points towards the era of a significant growth in the Fair Trade sales. Thus, a key element modified in the commercialised and certified model of Fair Trade is that the direct, or alternative, trade model (discussed in the above segment) linking consumers directly to poor producers went missing.

Thus, a key concern at the center of many debates today is whether Fair Trade is still about direct relationships between producers and consumers or has it been reduced to just supply chain management. Advocates of Fair Trade as a movement keep stressing on the importance of the direct relationship as a key aspect of Fair Trade and the need and the desire to engage with the empathy of the consumers, by giving a face to the poor and the unprivileged and often invisible producers on the other side of the transaction. But the potential market for such trade was limited during early days of the evolution of Fair Trade because consumers needed to be present near a Fair Trade dedicated shop or come across a Fair Trade mail-order list in order to be able to buy the Fair Trade products. Though the internet had expanded the prospective scope of the Fair Trade market, but consumers were still dependent on the individual organisations for their searching and discovery for even the Fair Trade websites. All these limitations were taken care of with the increasing visibility and the spurt of the commercialised version of the Fair Trade through mainstreaming.

Mainstreaming is thus seen as a new phase in the development of Fair Trade which aimed at reaching all types of consumers and not only the most ethically aware/ traditionally radical ones (as was the case in the solidarity/Alternative Trade Phase), by making the Fair Trade products widespread and readily available. This phase has been seeing the use of promotional messages and lobbying to let the voice of Fair Traders be heard and their presence be felt across the nook and cranny of the localised spaces of the erstwhile niche market dominated Fair Trade world. The main goal and the most important advantage of mainstreaming of Fair

Trade is thus the increased visibility and hence the much expanded targeting and inclusion of consumers of all types in its radar. Thus the common consumers who were otherwise not very interested in the buying of the Fair Trade products as such were also being made a part of the process by being served such products through mainstream commercial giants. Many commercial giants which now flagged Fair Trade products like discussed earlier (Starbucks, Proctor and Gamble, Nestle etc.) were not even fully committed to the Fair Trade but had just a few products on their shelves marked as Fair Trade.

This type of Fair Trading has its own critique and has been termed as ‘Fairwashing’<sup>21</sup> by many critics. The current academic literature on Fair Trade recognises “fairwashing” as an inherent problem of mainstreaming. Thus ‘fairwashing’ is involved in the process of mainstreaming of the Fair Trade Organisations, which make FTOs keep their presence into the Fair Trade Movement intact but they are hardly able to comply with the Fair Trade standards and in some cases even edging out the more dedicated Fair Trade Organisations who keep working in their own niche markets. The main dilemma and problem involved thorough mainstreaming is that even a Fair Trade logo cannot distinguish between these two different types of Fair Trade (one involved in mainstreaming and the other not involved) thus leaving the consumers in the dark about the type of the FTOs from where their Fair Trade purchase.

Mainstreaming of Fair Trade can be described as the onset of the era of labelling in Fair Trade which made the Fair Trade come out of the niche market driven focus of the movement in the north where Fair Trade products were available only through specialised/dedicated shops or special mail orders. This new phase used the instrument of labelling the products and making Fair Trade products available through normal retailing chains and shops. The purpose was to increase the outreach and the volume of sales. The labelling system thus allowed businesses of many kinds (and not necessarily the ones fully committed to Fair Trade) to participate in Fair Trade by devoting even just a small percentage of their total sales to the cause of the Fair Trade network’s ethical standard.

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<sup>21</sup> Fairwashing is a term used by Nichols and Opal (2005). Fairwashing is the process inherent in the mainstreaming of the Fair Trade Organisations which have opted to go through the Fair Trade Movement, but hardly comply with the Fair Trade standards thus edging out their more committed Fair Trade organisations in this process. The term Fairwashing signifies the use of Fair Trade as an instrument by the players like Big Business corporations or organisations which use Fair Trade to wash their “not so good” public image by only including a part of their merchandise or following just a few and not all of the Fair Trade principles and showcasing themselves as a Fair Trade company.

Thus the structure of the Fair Trade landscape changed radically since the 1990s with the development of the product-based labelling, the increased corporate participation in the Fair Trade, and the growth of both sales and public awareness in Fair Trade. In this changing context, there were many critical changes witnessed.

As Renard (2003) puts it:

With the insertion into the large distribution channels, using the conventional circuits and appealing to their actors [...], fair trade left the marginality of the special shops and alternative networks behind. The intention of the Fair Trade labeling organizations was to create a reality within the market, instead of constructing an alternative outside the market. Renard (2003: 90)

Mainstreaming thus saw changes not only in the form of product-labelling and its expansion and intensification but also brought as consequence changes in the work, structure and functioning of many ATOs. Thus various ATO in different parts of the world adapted in different ways to the calls of the market. Thus, while some ATOs stuck to their original structure and functioning by retaining their basic mode of functioning style, many others adapted themselves to the changing times. For instance, some of the ATOs like Oxfam-Wereldwinkels in Belgium, Traidcraft in the United Kingdom or CTM Altromercato in Italy started supplying food products to corporate retailers in order to increase their outreach and visibility through mainstreaming. Some of these organisations increased their network of World Shops thus focusing on increasing their outreach and attractiveness for the consumers. Many other ATOs also opted to join together to create new companies especially keen at selling in the mainstream markets. For example Cafédirect, Divine Chocolate and later Liberation Nuts in the UK, all these companies were created during this phase of mainstreaming by a consortium of organisations like Twin Trading, Oxfam GB and Traidcraft.

Thus, a good number of ATOs increasingly started changing their original organisational structures and practices to tap the opportunities provided by this new phase and in order to be able to deal with the new market partners (retailers or product transformers). The driving force behind it was to increase the attractiveness of their products, to be able to achieve and manage higher sales volumes and increase their accountability. In short, many ATOs made commercial activities much more central to their operations. This also saw some concrete transformations in their structure. So for example, many ATOs which were earlier legally nonprofit organisations turned into cooperatives (e.g., CTM and other Italian fair traders became 'social cooperatives'). Some transformed into a limited company (e.g., new fair trade



companies in France and the United Kingdom). Some opted for a group structure combining nonprofit and cooperative forms (e.g., several Belgian fair traders), or some combining nonprofit and limited company (e.g., Artisans du Monde in France and Traidcraft in the United Kingdom).

Some other ATOs chose to uphold their nonprofit structures even as they chose to be bound by the commercial company accounting and taxation rules (e.g. Oxfam-Magasins du Monde in Belgium). Thus most of the ATOs now were acting with more forceful marketing strategies with the onset of the mainstreaming phase in Fair Trade in order to meet the new and growing targets for turnovers and profits which had become more important in the spurt of mainstreaming. Even World Shops were not shying away from such strategies and commercialisation focus and the imminent changes in orientation it brought with itself.

As commercial departments or sub-structures were created within these organisations, hiring practices increasingly targeted people with a business training or experience instead of being the non-business and philanthropic centred nature of their organizations. Even the governance structures of the organisations and companies, for instance the boards of directors and general assemblies changed from their predominantly volunteer-based nature to a ‘multi-stakeholder’ one which included and laid emphasis on the role of workers, volunteers, partners as much as on business experts and consumer and producer representatives (Huybrechts 2010b; Mason and Doherty 2012)

Thus organisations and networks like IFAT, EFTA, and NEWS concentrated on a different role for themselves than that of the Fairtrade International (FLO) in the reorientation of the Fair Trade network. In the words of Fridell (2004),

Whereas FLO’s main objective has been to gain the participation of conventional corporations in the network, IFAT, EFTA, and NEWS have focused on enhancing the marketing skills and efficiency of the existing fair trade ATOs so as to be better able to compete against conventional corporations. They have been at the head of the ‘professionalization’ of fair trade, which has involved ATOs adopting marketing and managerial strategies common to mainstream corporations. Fridell (2004: 421)

For many ATOs dealing in handicrafts, this type of professionalisation has led to doing away with their custom of honouring indigenous knowledge systems of the local artisans and their skills and has only led to very limited product intervention in favour of acquiring products based on their market value and demands, thus proposing alterations in order to be able to cater to the trends of the market (Littrell and Dickson 1999).

The emergence of the labelled approach at the end of the 1980s was both a product of the time-period of its origin and the necessity of the Fair Trade movement to grow in an increasingly neo-liberal global world. Scholars like Sylla (2014) attribute ‘mainstreaming’ to the context and powers of the emerging neo-liberal order of the 1980s in both the global north and south. However, many other scholars cite the thrust of the Fair Trade movement itself driven by the necessity to expand and grow in sales to make its presence felt, as the reason behind the onset of this new phase in the evolution of Fair Trade.

In the words of Sylla (2014)

..from an ideological point of view, neoliberalism had become the dominant economic policy paradigm. It advocated the end of governmental regulation in the economic area and a return to the sacrosanct principles of the free market. In the South, the implementation of the tenets of neoliberalism in a context of economic crisis led to the withdrawal of the state from the agricultural value chains and to their liberalisation. This initially prompted an increase in the number of intermediaries. In the North, in the meantime, a twofold development took place. On one hand, distribution channels and agrifood industries had become increasingly oligopolistic. On the other, the degree of horizontal concentration increased along the agricultural value chains. On a global level, mechanisms regulating North-South trade were gradually dismantled. Sylla (2014:41-42)

It was in this historical and politico-economic context that the mainstreaming of the Fair Trade was taking place. Many consider ‘mainstreaming’ of Fair Trade as the phase of degradation for the Fair Trade movement as various players and the rules in the Fair Trade arena seem to be closer and in compliance with those of the ‘conventional trade’ in this phase.

Researchers and academicians in the field have addressed the issue of mainstreaming from different perspectives. They have assigned different terms for the mainstreaming of Fair Trade. Scholars like Doherty and Tranchell (2007) and Jaffee (2010) have referred to the mainstreaming of Fair Trade as ‘the erosion of the Fair Trade standards’, Goodman, DuPuis and Goodman (2012) and Goodman and Herman (2015) have called it ‘refetishization’, Low and Davenport (2007) have termed it ‘clean washing’, Raynolds, Murray and Wilkinson (2007) have called it “the reduction of the political message to a simple invitation to ‘shop for a better world’”, Ballet and Carimentrand (2010) and Dolan (2010) have termed it as ‘depersonalization of the relationship’ and Davies, Doherty and Knox (2010) have called it as ‘competition between companies with unequal commitments to the principles of Fair Trade’. Thus, the arrival of ‘mainstreaming’ era in the historical timeline of Fair Trade has

signified increasing outreach and visibility for the movement but at the same time it has simultaneously opened up debates of its ‘merger with the conventional trade’.

Though scholars and practitioners arguing for the movement’s viability and increasing presence have vouched for ‘enough regulations’ to ensure that the commercialisation imminent in the mainstreaming of Fair Trade doesn’t necessitate the ‘conventionalisation of Fair Trade’, this is a very debatable area and has seen many case studies and theoretical analyses both ‘for and against the motion of mainstreaming’ in the Fair Trade movement. However, the fact remains that mainstreaming has led to the emergence of two parallel trends within Fair Trade, viz., ‘increased visibility and decreased commitment for the core values of Fair Trade’. Even the supporters of mainstreaming accept that there is an increased chance of dilution of the core Fair Trade principles with the arrival of the mainstreaming phase. It is in this context that Fridell (2004, 2009 and 2011) has addressed this phase of Fair Trade as the growing of Fair Trade Network and the decline of the Fair Trade movement. According to Gavin Fridell,

The rapid growth of the fair trade network since the late 1980s can be attributed to its nongovernmental development strategy, which has focused on voluntarism and mainstreaming. It is owing to this strategy that the network has survived and thrived while the fair trade movement has staggered and declined. This has been part of a broader transformation in the international trade and development regime, which has involved the decline of state intervention and market regulation and the rise of neoliberal political-economic agreements and NGO-led development projects. Throughout the 1980s and 1990s, thousands of new NGOs have emerged to fulfil the social welfare and developmental role once played by the state. Many of these NGOs receive funding from official institutions, such as the World Bank, which view NGOs as a non-statist solution to the negative social and environmental consequences of neoliberal reforms (Petrus 1997). Thus, in the era of neoliberal globalization, just as NGO-provided health care is moving to the fore of official development discourse in place of state provided health care, so the fair trade network, with its voluntary, non-statist program, is moving to the fore over commodity control schemes and state-enforced NGO labour standards. Fridell (2004:425)

Hence, as most organisations became less ‘alternative’ and as ‘alternative trade’ only resonated for those pioneers who had identified themselves with this early term, the term ‘ATO’ became less and less used and was replaced by other terms. The term ‘Fair Trade Organisations or FTOs’ is now largely used, among others by the WFTO and the Fairtrade International in their annual reports and in their Charter of Fair Trade principles, where they are defined as ‘organisations for which Fair Trade is part of their mission and constitutes the core of their objectives and activities’ (WFTO 2009). ‘Organisations’ is probably the most neutral term to encompass the diversity of actors in the Fair Trade world but other terms are also used in the literature such as ‘Fair Trade Businesses’ (Reed, Thomson, Hussey and

LeMay 2010), 'companies' (Davies and Crane 2003) and, increasingly, 'social enterprises' (Doherty 2011).

Fair Trade specialized or dedicated shops were involved in the selling Fair Trade goods (unlabelled ones) in Europe and the US since the beginning, however it was only in the late 1980s after the launching of the first Fair Trade label in coffee by the Max Havelaar Foundation that the labelled version of Fair Trade practice took roots. There were as many as 17 Fair Trade labels by the end of the 1990s. All these Fair Trade labels formed a united entity which went with the name of Fairtrade Labelling Organisations International or now called Fairtrade International only (FLO). The prime objective of the FLO is to

contribute to sustainable development by offering better trading conditions to, and secure the rights of, marginalized producers and workers - especially in the South (FINE 2001:1).

Producers under this system need to meet a range of standards focusing on issues and areas like labour standards, governance, democratic participation of the producing community and sustainable farming. (FLO 2010) Certified groups of farmers are guaranteed and paid 'a minimum price' under this system for their harvest. This price varies in accordance with region and products. Fair Trade agreements are bound to pay at least the market price when the market price is above the minimum price. These certified groups are also paid a social premium apart from this market price, which is meant for undertaking crucial investments for the community development preferably in the areas of their social wellbeing, health, and infrastructure. These Fair Trade contracts are generally meant to be long-term ones stretching to multiple seasons to decrease the instabilities in the lives of the farmers in terms of their access to the market and the price fluctuations. However, for a majority of the products, it is a pre-requisite for farmers to form a co-operative in order to be Fairtrade certified. However, in case of plantation crops like tea or cotton, the plantation itself has to be certified, with equivalent rules existing for the treatment of the labour involved.

FLO based certification has seen a substantial growth in the last decade with a critical increase happening in the number of registered producer organisations in this time period. Thus the number of producer organizations which are registered with FLO increased to 991 at the end of 2011 from 508 in the year 2005. The point to be noted is the prevalence of the region of Latin America and the Caribbean in terms of the high number of Fairtrade certified organisations (to be discussed in details in the chapter 3). Another important fact about the certified Fair Trade is that organisations dealing with the production of coffee are the biggest

product group and alone hold a major chunk among all the registered Fairtrade organisations, forming 35 percent of all the existing producer organisations across the world. (FLO 2012).

The certification of Fairtrade is done by FLO Cert. FLO Cert is an arm of Fairtrade International created in the year 2004. Producer organisations which aspire for the certification from the FLO Cert are required to pay for it at all the stages leading up to the final certification of their organisation. Thus starting from the application of their organisation to the initial certification fee, and renewal fees to the additional fees for every additional product of the organisation certified has a fixed charge. The latest certification fee varies from 1,466 Euros for an organisation (with less than 50 members) to 3,557 Euros for an organisation (with more than 1,000 members) to be charged every year (FLO Cert 2016). There exist other kind of expenses also associated with it at later stages after achieving the initial certification. These expenses include payment for the inspection fees and the renewal of certification. There are other expenses like those incurred in employing office staff of the producer organisations (Bezencon 2011), and clearing the debts related to those times for which the cooperatives were certified but were not able to find their buyers abroad (Geiger-Oneto and Arnould 2011) are also important heads in the FLO system of certified Fairtrade putting the burden on the organisations.

Thus FLO and its associate FLO Cert are the frontrunner organisations which are carrying the mainstreamed labelled version of Fair Trade most enthusiastically. While the ATO model or the evolved WFTO model is also not untouched by the mainstreaming, actually it is the Fairtrade International (FLO) and its member organisations and its structural characteristics which makes it the champion of the labelled version of Fairtrade.

### **Some Key Players in Fair Trade: EFTA, NEWS, Fair Trade Federation and FINE**

Apart from the already discussed WFTO and FLO, the two governing bodies of the two routes within Fair Trade, there exist a number of other important international organisations in the field of Fair Trade which help the cause of Fair Trade in their own ways and have helped in shaping the practice of Fair Trade at various levels and in different regions. Some of the important ones need to be discussed here.

#### *EFTA or the European Fair Trade Association*

It is an advocacy and research organisation of Fair Trade based with its head office in the Netherlands while its advocacy office is based in Belgium. It was established in the year

1990. Currently, it is a network of eleven Fair Trade organisations based in the nine European countries of Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Switzerland and the United Kingdom. It includes some of the important Fair Trade organisations like Oxfam, Traidcraft, and Gepa in its network of the important FTOs. The two main objectives of EFTA are firstly, to make the import of Fair Trade commodities in the member countries more smooth, well-organised and effective. It forms a setup of producers and support groups of Fair Trade in order to promote the information exchange and best practices regarding the Fair Trade practice among the consumer citizens of its member countries. Secondly, it helps in promoting Fair Trade to the commercial channels and various political stakeholders and decision-makers in the respective regions and countries. It thus, co-ordinates, campaigns, lobbies and broadcasts relevant data and information supporting the cause of the Fair Trade movement. Thus, an important task associated with EFTA is the publishing of the Fair Trade data and analysis for the continent of Europe. It publishes a bi-annual newsletter and contributes significantly towards the research and advocacy document meant for Fair Trade in Europe on an annual basis by publishing the annually released EFTA Yearbook.

#### *Network of European World Shops (NEWS!)*

As the name suggests, it stands as a network or web of the World Shops in the continent of Europe thus, this organisation is a carrier of the idea and legacy of the concept of the dedicated World Shops<sup>22</sup>, the forerunners of the Alternative Trade route of the Fair Trade movement. It aimed at promoting Fair Trade by motivating, supporting and connecting the World Shops (retailing Fair Trade products) existing across Europe. Its members included a network of national World Shop associations (currently 15 in number) in 13 different countries of Europe. This network as a whole represented around 2,500 World Shops throughout the whole Europe. The NEWS endorses and carries out campaigns to increase the consumer awareness about Fair Trade among its member countries. However, NEWS! stopped to exist in its original form from October 2008 onwards and presently exists as a part of the European section of the World Fair Trade Organization that is the WFTO-Europe.

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<sup>22</sup> The concept of World Shops or shops dedicated to retailing out Fair Trade goods fully dedicated itself to the cause of what was then called Alternative Trade is old in the Fair Trade history with the first World Shop having been established in 1959 by the Oxfam in Europe. However, they were not known by the name of the “World Shops” at that time and this term got popularized only in the 1990s. World Shops are mostly not-for-profit organisations run by locally based volunteer networks in the continent of Europe, currently reaching the number of 2800 across the whole of Europe. Because the Fair Trade movement began its journey in Europe, thus most of the World Shops have been based on the continent of Europe. However, now World Shops are also established these days in Australia, Israel, North America, Israel and New Zealand.

### *Fair Trade Federation*

The Fair Trade Federation is the US-based counterpart of Fair Trade networks like EFTA and NEWS in Europe which were more developed and established earlier than this. Established in 1994, it is a trade association of many Fair Trade businesses like retailers and wholesalers in the North America (earlier called North American Alternative Trading Organization or NAATO), all committed to the Fair Trade principles like providing fair wages and decent occupation to the economically disadvantaged farmers and workers of the world. Its membership represents a type of organisational membership and not just a guarantee for the manufacturing of an individual product. Thus, Fair Trade Federation does not conduct field based audits of individual supply chains in an organisation and hence its logo does not represent a product certification; rather it represents membership in a network of committed FTOs. There exists a membership fee for the members charged according to the organisation's turnover. The WFTO recognises and supports FTF's causes, goals, and principles and so does FTF and they work together as associated organisations in the promotion of greater justice and fairness in international trade.

### *FINE*

FINE is an informal forum or consortium of the four main European and International federations for Fair Trade [FLO, IFAT (now called WFTO), NEWS! and EFTA]. It was formed as a consequence of the need for coordination among the various important bodies existing in the field of Fair Trade. FINE has been running a Fair Trade advocacy office (since 2004) situated in Brussels whose role is to manage the advocacy and promotion related activities of the various proponents of Fair Trade in Europe and the in the world.

The most important issue for this network of organisations has been to look into the role of labelling or certification in the imminent expansion of Fair Trade. Also, one of the other important issues for the FINE is integrating the members of the WFTO who do not bear the FLO certification (but may carry the WFTO mark) with the Fair Trade movement's entrance into the mainstream consumer marketplace. However, this issue is yet to be completely resolved and there is a parallel existence of both the labelled and non-labelled version of FTOs and Fair Trade and efforts towards bringing them together and reconciling these two streams keep festering.

## **The Free Trade vs. Fair Trade Debate**

Fair Trade owes its existence within a much broader movement calling for the end of trade injustices. The movement for trade justice across the world includes many individuals, organisations and third-world governments which are concerned with obtaining fairness for each participating unit in the global trading system. The movement for trade justice has its own history and a very interesting interjection to it lies in the free vs. fair trade debate. Fair Trade is thus just one kind of an answer or call to the problem of trade injustice, more so in the vagaries of inequality and persistent challenges posed and unheeded to by the free trade regime of the post-second world war era. Fair Trade deals with a very specific part of the trade justice movement<sup>23</sup> by creating an alternative trading channel that paves the way for the producers from the developing countries to sell their products at a fairer price and on fairer trading terms to the conscientious consumers of the north. However it is affected by a lot of issues relating to the broader trade justice within the international free trade regime, and it is therefore crucial that Fair Trade campaigners keep sight of the issues at stake which affect the movement. These issues are multifarious and speak about the larger concerns of the free vs. fair trade debate. These issues can be identified into four important points, firstly, restructuring/redesigning the rules and set of institutions which manage the global trade regime; second, challenging the growing clout and domination of the multinational corporations; thirdly, ensuring that companies pay their income tax in the countries where they operate; lastly, ensuring a fair deal for farmers and workers globally, including in developed countries. Thus, Fair Trade is part of a much broader movement striving for the transformation in global trading rules. Here lies its deep-seated relationship with the larger free vs. fair trade debate.

The global trade in the contemporary times is largely based on the principle of ‘free trade’. The Free Trade principle owes its origin to the thinkers like Adam Smith and David Ricardo in the eighteenth century. According to them, some countries are always better at producing some particular goods than other countries. This means they could produce certain goods more cheaply, quickly and efficiently. Free trade can be said to be grounded in the notion that

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<sup>23</sup><sup>23</sup>This free trade vis-à-vis fair trade debate in the context of the Fair Trade movement and in general when it comes to the question of the unjust conventional trade/free-trade agreements, it has led to the creation of another movement that shares a bonding with Fair Trade in the form of the Trade Justice Movement. It began in the year 2000 as a campaign that voiced for the reducing of the debt burdens of the developing countries. It is led by a range of British non-governmental organizations advocating for just trade policies that work with a goal of keeping the interests and concerns of the poor above those of the multinational corporations.



countries should only be producing and exporting the goods that they are most efficient at producing or are comparatively in an advantageous position in producing, and import other goods (which are not their specialty) from other countries specialized in producing such goods. According to Ricardo, this system eliminates inefficiency and makes it possible for the countries to make the best use of overall resources. This theory was called the theory of Comparative Advantage and it formed the cornerstone behind the idea of free trade.

Thus, Free trade states that the competitive forces bring about the most efficient economic outcome. While this principle of free trade described above seems to make good logic, it has many disadvantages and has led to the creation of many problems between the countries of the north and the south or between the more industrialised and the less industrialised ones. More industrialised countries have the advantage of the access to the advanced technology and infrastructure. Their specialisation is thus in producing 'luxury' goods having higher-value in contrast to the developing countries which don't have the infrastructure or the technology to be able to produce such high-end manufactured products. Thus agriculture forms the basis of their economy and agricultural goods or primary commodities are the main exports of these countries which accrue lower remuneration. Here lies the difference and the problem with the free market principle and the law of comparative advantage.

The logic of comparative advantage says that if countries continue to produce the goods they are most efficient at producing, then everyone would be better off given that the income of each player will increase because resources are best utilized and least wasted. But this is not what happens in reality. To get the real picture of this theory, we need to understand that what type of products do people spend more money on when their income increases given they already have enough food and they don't need to buy anything extra. In such condition, people might opt to get some better quality food products, but after a point, the demand for food products become inelastic or refuses to go up after the consumer section has achieved a benchmark increase in income. After this point, any increase in income would mean more spendings on the section of goods which are meant for luxury consumption and they are mostly manufactured ones with their base of production and specialisation in the developed countries of the north. So, the countries that specialize in producing these luxury products automatically end up benefitting from the continued increased demand for their products as people get richer. On the other hand, countries specialising in the production of primary agricultural commodities don't experience any increase in the demand for their goods, and are always at a worse off situation than their developed counterparts. Moreover, as farmers

become more efficient at producing food, the cost of production decreases and so does the price of their products. This is owing to the fact that the price of raw materials is always less than what a manufactured product gets, the whole doctrine of unequal exchange hinges on this very fact. Owing to the use of improved equipment or fertilizer, the harvests increase and so the food availability increases in the market. This increased volume of a particular product leads to a drop in the price because it's not so much in demand anymore. This in turn means that people will buy more of the product because it is cheaper. However with food, there is a limit to how much people will buy even with a decrease in price and increase in incomes. Therefore demand would remain the same after a point, but producer's/farmers' income fall and they end up becoming worse off than before even after the increase in their production/yield because they are forced to sell their produce at a lower price. This is how farmers across the world are affected, including the ones in the developed/rich countries. However the situation is worse for farmers in developing countries specialising in agriculture as they are doubly hit. They end up being poorer both in real terms and in comparison to their counterparts in the more industrialised countries.

Here comes the issue of subsidies which is a big matter of contention between the developed north and the developing countries of the south. As the above explained situation is created time and again, the governments in the developed countries come up to the rescue of their producers. The governments in the north understand that a situation of decreased prices and inelastic demand for the agricultural/ food products produced by their farmers would badly affect the farmers' income and hence livelihood, the businesses that deal with farms, and the entire economy of their country in general. Countries also tend to try and safeguard their own domestic supply of food, rather than relying on imports, in case of any situations which would cut off supplies from food abroad, such as a war. Richer governments therefore try to overcome the problem by offering their farmers financial subsidies to keep their farms running. These payments top up the farmers' income, so that they can still maintain their farms and livelihoods even if the farms themselves operate at a loss. In the EU, these subsidies are granted to farmers under a scheme known as the Common Agricultural Policy, under which the large farms benefit the most. Therefore to some farmers, it doesn't always matter whether their food is needed or bought at all, because they still get paid through the government subsidy. In fact, this often encourages farmers in richer countries to produce more food than the local markets require. So what happens to all the extra food they produce? It is better to receive a little bit of money for the extra food than simply to throw it away, so

farmers often sell the food very cheaply to other markets. Often these markets are in developing countries, where very cheap produce is in high demand. This practice is often referred to as 'dumping'. Farmers can afford to sell the food very cheaply, because they are getting paid by the government anyway. In fact the produce is often sold at a price less than what it cost them to produce. The problem this creates is that the local farmers in the importing country simply can't compete. Their government can't afford to subsidise them to produce food, so they are stuck with the normal costs of production and therefore need to charge a higher price for their produce than their subsidised foreign counterparts.

So consumers in those countries understandably buy the cheaper foreign produce, and the local farmers lose out. Then the producers in developing countries, and particularly those living in rural areas, do not simply have any job opportunities and everyone has to become a farmer to survive. So when farmers can't sell their produce because they've been dented by subsidised farmers in rich countries, they can be left destitute. It would be very difficult for them to ban foreign imports altogether to prevent such things happening to them in the international trading system in the name of free trade policies. The World Trade Organisation (WTO) is the global organisation that oversees international trade and its practices, and its objective is to make trade as free as possible. Therefore banning imports altogether would be seen as non-compliance with WTO advice. This would significantly weaken developing countries' ties with other nations which could see their own exports being denied access to foreign markets. It would also restrict their access to loans and grants through the World Bank and the International Monetary Fund. Banning imports therefore isn't a viable option if countries are to maintain good external relations, and so they can seek to impose some other measures instead.

Thus the free trade system in itself has created issues and problems which necessitated the emergence and relevance of Fair Trade as a movement and concept for the producing communities and voices and demands to be heard at the international level in their own way. The fairness and fair trade as a general notion demands the action on part of the states but they have been bound by the free trade principle currently running over the world. However, it is also to be pointed out that this very Fair Trade movement is blooming in the free trade regime that governs the world through getting commercialised and mainstreamed by the logic of the very free market.

## **Theoretical Foundations of Fair Trade**

The Fair Trade movement has changed its pathway in accordance with the changing international politico-economic scenario. Thus, the theoretical foundations running behind Fair Trade need to be revisited to make its study an authentic and relevant one. Thus, Fair Trade as a charity-based, craft-selling venture was reformist in its tone and tenor at the start in the decades of the 1940s and 1950s. It got more radical undertones in the 1960s and 1970s under the effect of the dependency theorists. This phase was the pinnacle of the Fair Trade movement but it was again mellowed down, with the arrival of the phase of “mainstreaming” which saw a move to the currently prevailing product labelling/ certification version of Fair Trade (manifested with the onset of labelling in the year 1988 by Max Havelaar coffee in Europe). This embracing of the conventional market channels was had its compatibility with neoliberalism. And these were the developments which were connected to the declining role of the state and its institutions which had been supporting and shielding the small commodity producers in the global South.

The theoretical foundations of the Fair Trade movement lie deep into the politico-economic debates running across the history of the development discourses at the international level. Thus, the decade of 1950s and 1960s when Fair Trade movement was beginning its journey was marked by the kind of discourse which were shaping its parallel development. The larger theoretical and policy debate on equitable trade was the hallmark of the developmental debate in the decade of the 1960s, particularly after the decolonization. Thus the talks of the New International Economic Order (NIEO) were running parallel. This was in a way honing the demands and concepts during the evolution of the Fair Trade movement. These demands were all about parity in terms of trade and asked for equitable distribution of the international wealth between the global north and global south.

Thus, to begin with, the concept of Alternative Trading and creating a parallel trading network of organisations to deal with the structural problems of the prevailing trading regime was intellectually grounded in the works of several scholars such as Wallerstein (1974), Prebisch (1950) and Frank (1966). Thus, it owed much to their idea of the world economy as driven by the structural power systems being responsible for the unequal distribution of the wealth and profits in the international economy. In other words, the call for a just structure of trade or international exchange that echoed from the countries of the global south and also involved support from some of their northern counterparts was based on the idea of “unequal

exchange” stated in the works of scholars and thinkers like Raul Prebisch and developed over time by dependency theorists like Andre Gunder Frank, Arghiri Emmanuel and Johan Galtung (Love 1980: 45). This was reflected in the recognition of the fact that the theory of comparative advantage propounded by the likes of David Ricardo, John Stuart Mill and Alfred Marshall was a hindrance in the development of the countries of the South (Love 1980: 55-56).

It was Raul Prebisch, an Argentinian economist who is known to have founded the Latin America structuralist school who laid down the theoretical foundations for the concept of “unequal exchange” which was the key to understanding the disadvantages of the Southern nations. Prebisch has to his credit the challenging of the theory of comparative advantage<sup>24</sup> given by Ricardo. Prebisch affirmed the inherent bias involved in the theory of comparative advantage as it would always work to the advantage of the north and the loss of the south due to the unequal exchange caused by the relative decline in the “prices of primary products in relation to manufactured goods” over time. This relative decline was a result of way supply and demand forces in the market acted. It was also affected by “the relative income inelasticity of the primary goods in relation to the manufactured goods, the easy replacement of raw materials by industrial substitutes, and the declining ratio of raw material output to industrial output.” (Fridell 2010)

In addition, Prebisch also added that the labour emancipation brought about in the countries of the North had led to an increase in the prices of the Northern goods. This kind of liberation was not witnessed in the South where the prices of the goods were still much low especially in comparison to their northern counterparts (Hoogvelt 2001, Hunt 1989, Prebisch 1950).

The theory of unequal exchange was developed more by the exponents of the dependency theory.<sup>25</sup> And, the dependency theorists considered that this wide gap between the countries

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<sup>24</sup> The theory of comparative advantage says that each country in the world was in an economically more advantageous position over other countries in the production of certain goods. Supporters of Ricardo's theory are of the view that it would be in the relative benefit of the countries to produce the goods for which they had a comparative or relative economic advantage in production. Thus it meant that the countries of the South who were traditionally producing primary goods because of their conditions should keep producing only primary goods for which they had a comparative advantage in production and the North should continue producing manufactured commodities. And this would be for everyone's benefit through the North-South trade.

<sup>25</sup> Dependency theory rose to popularity in the 1960s and 1970s and it argued that the international system dominated by capitalism can be divided into what they called core/metropolis in the North and peripheries/satellites situated in the South. This system led to the transfer of the surplus wealth of the peripheral countries to the core nations of the south because of the unequal exchange that prevailed between the two set of nations. This system further worsened due to the dependence of the peripheral countries for technology,

of the north and south could not be bridged under the prevailing international capitalist system or the free trade regime. (Fridell 2010)

The solution given by the dependency theorists is that the countries of the south needed to take the drastic step of boycotting the international capitalist system in two possible ways, first, either through strong intervention of their states in the market or second option being breaking off from the international capitalist system completely. These ideas propagated by the dependency theorists in the 1970s had a deep impact on the countries of the south. As a result these countries started pursuing policies which were guided by economic nationalism, self-directed development and self-reliance. Thus began the demands of the southern countries for more prices for their primary goods, preferential access for the infant industries of the South in the domestic markets of the North, the reforms in the international monetary and trading system etc. (Fridell 2010)

As Eduardo Galeano, the famous Uruguan author has remarked “the international division of labor” grounded in the theory of comparative advantage was one in which “some specialize in winning, and others in losing” (Galeano 1973). This notion of the international free trade regime creating winners and losers was developed more systematically by the “world systems theory” propounded by Immanuel Wallerstein. According to Wallerstein (1974), poverty prevalent in the countries of the south could be explained through its rootedness in the sweeping division of labor across the world created by capitalism. Within this world system created by capitalism, states and multinational corporations act as instruments and beneficiaries of the core nations’ which have their control of highly profitable activities, while peripheral countries are forcefully involved in low-productivity and less profitable forms of production. Thus peripheral nations continue remaining in poor conditions as a whole as a result of their being caught within this skewed pattern of relationships between the developed north or core and the peripheral south (Chase-Dunn and Grimes 1995, Wallerstein 1974). Fair Trade has been theorized as an instrument in correcting these lopsided pattern of relations between the north and south.

#### *Fair Trade and Inter-governmental Forums*

Another important feature of the Fair Trade movement was that it came with the slogan of “Trade not Aid”. This popular slogan and demand of the Fair Trade movement promotes the

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infrastructure, capital, markets as well as manufacture goods on the countries of the north. This carried forward the legacy of colonialism where the colonies were made structurally dependent on their ruling countries.

transformation of the north- south relations from “a model of charity to a model of equal exchange” (Renard 2003: 89). This popular slogan was aimed at emphasising the fact that the “conventional aid flows from the North to the South” were not just insufficient but also grossly inefficient in dealing with the problems of underdevelopment faced by the southern countries and its masses. Thus, the needs of the countries of the global south would be fulfilled by bringing into force fairer terms of trade for these countries. Fairer terms of trade can be defined as the trading principles that would cause adequate foreign capital to be generated in the countries of the south in order to enable these countries in the modernisation of their production and infrastructure facilities. De Lombaerde and Puri (2009: 5). Thus Fair Trade was meant to overcome the effects of unequal exchange.

Thus it was the idea of unequal exchange which became the primary reason behind the origin of the concept of Fair Trade which was pushed into popularity and officially made the goals of the institutions such as the United Nations Economic Commission for Latin America (UNECLA) and the United Nations Conferences on Trade and Development (UNCTAD). It was eventually also given a call from the countries of the South through their demands in the form of what was termed as a New International Economic Order (NIEO) which demanded equal terms of trade by redoing the rules of the international trade which was inclined in favour of the northern nations, as its primary goal (Love 1980). This led to the emergence of a tussle between the nations of the south and the nations of the north for the building up of a fairer international economy by demanding to re-write the postulates of the international trade.

The origins of the Fair Trade at the intergovernmental level can be traced back to the several efforts aimed at “controlling the international commodity markets during the inter-war period (1918 to 1939).” (Fridell 2010) These efforts aimed at bringing fairness in the trade, took full shape later in the post second world war era beginning in the late 1940s. These commodity agreements were diverse and their nature dependent the type of the commodity and on the time period of their conclusion. Generally they undertook to check the production and ensure the regulation of the volume of goods allowed into the markets in order to reduce the supply of the given goods so as to force up their prices. However, these commodity agreements have always met with varying degrees of success. So, some agreements like the International Tea Agreement (ITA) and the International Coffee Agreement (ICA) have been known to be able to provide substantial price backing to the farmers of the south. However, many other commodity agreements were not very successful and bore mixed or negative fallouts and

collapsed for a variety of complex politico-economic factors (Barratt Brown 1993: 77-95). Many of these agreements developed out of the growing internationalist movements demanding for national and international capital controls and a variety of international mechanisms to regulate trade in the interest of Southern nations. (Fridell 2010: 458)

Thus many commodity agreements developed in the decades of 1950s and 1960s. These agreements were negotiated by both the governments of the northern and southern nations and were conducted with the backing of the United Nations under the terms of the Havana Charter of 1947<sup>26</sup> (Barratt Brown 1993, Hoogvelt 2001). These efforts were taken with the purpose of contesting the rapidly declining prices for the primary goods like tea, coffee, rubber, copper, cotton, wheat and sugar vis-à-vis their secondary counterparts or the manufactured goods produced by the capitalist countries of the North. This decline in the primary goods' prices was due to at least three factors, first, it was owing to an aggregate drop in demand by the North caused due to the global economic recession, second, due to the development of alternatives for primary products, and third, the capacity-building by producers in south for goods for which market-saturation had already happened (Furtado 1976: 50-57). Thus, control schemes developed in succession through the 1920s and 1930s for primary commodities. These commodity control schemes were generally concerned with limiting the production and hoarding of the respective primary commodities with the goal of raising the prices for those commodities. However, these schemes failed in majority of the cases because the higher prices resulting out of these efforts ended up in incentivizing new producers to join the market or contributed in increasing the efforts to develop more substitutes in the north. Moreover, the biggest limitation of these agreements is that these schemes succeeded in keeping prices up at the cost of limiting the overall production (Barratt Brown 1993:79-87).

The Second World War (1939-1945) brought some relief for the producers of these primary goods in the South. The war led to a significant reduction in the production of primary commodities in East Asia, Europe as well as some parts of Africa, resulting in a short-term upsurge in the rate of primary goods vis-à-vis manufactured goods. (Fridell 2010) And it was the Bretton Woods Conference which took place in the year 1944 which led to the negotiations among the allied powers for the creation of a new international regime for trade

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<sup>26</sup> Havana Charter was signed by 56 countries on March 24, 1948. Formally, it was the final act of the United Nations Conference on Trade and Employment. It provided for the establishment of an international institution called International Trade organisation (ITO) (along with the International Monetary Fund and the World Bank) which never actually materialized.



and development in the post-war era. Most of the participants at the Bretton Woods were of the view that the international regime during the inter-war system, based on “beggar-my-neighbour” and protectionist trade policies, were responsible for the economic depression of the 1930s. Thus, it was highly sought by the participants for the creation of a new international order based on a “stable monetary system and liberal trade regulations.” The Bretton Woods system that emerged from the negotiations created the two important international financial institutions of our times to manage the international trade system. First, the International Monetary Fund (IMF) which was formed with the purpose of providing short-term loans to the countries facing the balance of payment crisis. The second institution called the World Bank or the International Bank for Reconstruction and Development, was instituted for making available long-term finance for the countries in need of developmental projects. Moreover, the General Agreement on Tariffs and Trade (GATT) was also created to reduce the trade barriers among the countries through a series of negotiations.

#### *The Role of Bretton Woods Institutions and UNCTAD*

The Bretton Woods negotiations were intended to eliminate “the protectionist barriers” being practiced earlier, however, the scheme for some type of market regulation to protect the weaker nations from the vagaries of the international market was maintained. Thus Havana Charter<sup>27</sup> was adopted in 1947 which formed the base for the system of “commodity control agreements” with the backing of the United Nations. After the wartime explosion in the prices for the primary goods, the 1950s again saw a major drip in the price of most of the primary goods. Thus, there arose demands for new commodity control schemes to be planned under the Havana Charter of 1947. Thus, almost all major commodities saw the international agreements being made for the new International commodity control. The new commodity control schemes were most resolutely formed for “commodities with low demand elasticity”, such as coffee, sugar, wheat and tin. However, these agreements could not succeed in helping

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<sup>27</sup> The Havana Charter, unlike earlier commodity control systems which had just been focusing on checking the production of commodities in question, suggested the practice of forming buffer stocks to be built up during the times of surplus production by the respective countries. This buffer stock could be used up during the times of scarcities.

the southern nations in increasing their export earnings for a different politico-economic reasons.<sup>28</sup> Thus, the various commodity agreements saw their failure over time.

These continued failed attempts at fixing and running these commodity agreements in order to increase the exports earnings for the producers of the south resulted in the holding up of the first United Nations Conference on Trade and Development (UNCTAD) in the year 1964 (Furtado 1976: 221). It saw the passage of resolutions by a considerable majority of nations in favour of a “greater transfer of wealth from the north to the south” by means of compensation, aid and a general system of fairer trade for the countries of the south. Thus there were talks of fairer terms of trade for the global south on an official intergovernmental platform like UNCTAD. And the strategy for accomplishing “fairer trade” involved at least two main demands of the southern countries. First, the southern nations demanded that the northern nations should weaken their protectionist policies meant for their producers and farmers which acted against them. These measures included tariffs, import controls, levies. Second, the southern countries demanded that the provision of “financial aid” supposed be given by the IMF be substituted by a scheme of subsidies meant for the primary producers in the south. Thus the slogan that became popular and is often associated with the Fair Trade movement also in the 1960s was “trade not aid”.

However, nothing significant and sizable was achieved through UNCTAD because of the lack of consensus among the participating countries. The representatives of the north had either abstained from voting or voted against the key resolutions proposed, thus, leading the demands and aspirations of the south nowhere. However, an achievement of all these efforts was that UNCTAD as an important international forum and research body was established for the exchange of information and ideas on Fair Trade (Barratt Brown 1993). And an important contribution of UNCTAD is the key role played by it in promoting the concept of “unequal exchange” which became a game changer in the north-south dynamics regarding the debate on trade and development.

Thus, with the efforts of the UNCTAD, many of the demands related to Fair Trade between the north-south were included in the “UN Programme of Action” for the formation of a “New

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<sup>28</sup> For example, the sugar agreement fell apart in the 1960s after the United States boycotted the Cuban sugar, the tin agreement was broken in the 1980s due to a global decline in demand for tin. Similarly, the coffee agreement ended in 1989 as it could not be renewed in 1989 because of non-agreement between Brazil and the United States on the issue of prices and export quotas. Similarly, the wheat agreement also was unsuccessful in assuring higher prices and market opportunities for the southern nations due to the “protectionist policies and dumping practices” in North America and Western Europe.

International Economic Order” (NIEO) (1974) and the “UN Charter of Economic Rights and Duties of States” (Hoogvelt 2001:4142). Apart from these larger demands, the UNCTAD sustained its efforts to push for just and “fair terms of trade” in the international market for commodities (Fridell 2010)

### **Neoliberalism and Fair Trade**

The contemporary Fair Trade movement is based on a paradox that the very neo-liberal system which it had started to oppose is being accommodated and in turn is accommodating Fair Trade in its ambit. Thus Fair Trade has quite rightly been now moving from the Barrat Brown’s “in and against the market” to more closely “in the market”. (Brown 1993: 156)

While the scholarly community is divided into at least two camps regarding the Fair Trade’s compatibility or not with neoliberalism and the neo-liberal order, this question of the Fair Trade’s actual depth and situatedness within the neoliberal camp is a curious case of inquiry for scholars as well as for this work. This work in particular is based on the assumption that Fair Trade acts is an instrument of the neo-liberal forces thereby assisting in limiting the role of the state from the key areas of regulation and intervention through its claims of equity and justice. Thus the veracity or not of this assumption has to be checked by exploring the critical debates on Fair Trade vis-à-vis neoliberalism as well as by analysing the case studies within India.

Also, as to why the question of the relationship of Fair Trade with the neoliberalism is important has to be discussed first after which this very important debate has to be explored for the purpose of clarification of the main arguments and claims of the practice of Fair Trade. The ideological evolution of Fair Trade as has been traced in the earlier sections of this chapter point towards a very important fact that the evolution of Fair Trade in its present form was actually the solidification of the resentment of the southern countries and their grievances which were being given a voice through the debates which revolved around the question of “fairness” in trade.

As explained earlier (in earlier sections), it was in the decade of the 1970s when the Fair Trade movement reached the heights of popularity. However, the decade of 1980s saw it becoming descendent as states and international financial institutions started to move away from the policies of government intervention and market regulation towards neoliberal policies set to reducing the role of the state and removing the “national and international

capital controls” (Leys 1996). Thus the political consensus which was reached through the efforts of the UNCTAD and through which the NIEO and the “Charter of Economic Rights and Duties of States” had been constructed got disbanded with the arrival of the neo-liberal turn on the international politico-economic front. According to Fridell (2007, 2010), with the arrival of the neo-liberal reforms in the 1980s and 1990s, the Fair Trade movement saw a decline, however, the Fair Trade network saw rapid expansion in these decades. In Fridell’s view, the network of Fair Trade saw speedy growth through this time-period as many new players entered the world of Fair Trade. However, the movement of Fair Trade, its core values suffered as a result of this growth spurt in the Fair Trade network. Thus in her own words,

“After years of slow but steady growth from the 1950s to the 1970s, the Fair Trade network boomed in the late 1980s and has attained unprecedented sales in the era of neoliberal globalization.” (Fridell 2010)

So, the politico-economic context of the end of the world war second and the sufferings and the penury of the south were being ideologically and politico-economically explained by many scholarly and ideological stances propounded in a manner that they posed serious question on the way the international trading system was functioning and driven by the dictates of the north. Thus, the larger calls witnessed in the demands for the NIEO and Fair Trade by the governments of these countries as well as the international institutions like UNCTAD and UNECLA pointed towards creating a system of trade which had an alternative vision of international system based not on the exploitative nature inherent in the international free trade regime and its proponents. It also brought to the picture the limitations of the “trickle down” theory of the neoliberalism and its supporters.

So, the two extreme positions on the issue of Fair Trade and neoliberalism actually are based on the two visions of Fair Trade, one which sees

fair Trade as a way to increase the standard of living for some of the disadvantaged producers in the South through fairer trade relations, the second and more idealistic positions sees Fair Trade as a means or a tool to modify the neoliberal economic model and to transform the entire economy into one in which Fair Trade abandons free trade. (Schmelzer 2006: 4)

Such division of scholars regarding the Fair Trade and Neoliberalism’s complex relationship can be found in the variety of arguments by the likes of scholars like Nichols and Opal (2005), Taylor (2005), Fridell (2011) and Raynolds (2000). Thus in the words of (Nichols & Opal 2005), “Fair Trade is compatible with the free market claims of contemporary dominant

neoliberal discourse” while scholars like Taylor (2005) claim that Fair Trade promotes “social change” while Reynolds (2000:306) argues that Fair Trade challenges the “abstract capitalist market principles”. And the famous illustration of Fair Trade by Barrat Brown (1993: 156) that Fair Trade operates “in and against” the same “global capitalist market” that it wants to transform points towards the dilemma of the Fair Trade movement that this section of the thesis is trying to explore.

Thus, the main dividing line of this question of the situatedness of Fair Trade on the neoliberal spectrum centres around the question of whether Fair Trade is an effort at bringing the neoclassical economic theory<sup>29</sup> “closer to reality” (Nichols & Opal 2005: 19), or whether Fair Trade is an actual critique and marks a major departing point from the theory of free trade and its practice thus opening up an alternative way of trading in the actual sense. Thus, what Paul Rice, the President of the U.S. based Fairtrade labelling organisation, TransFair USA wrote in the annual report of TransFair USA 2004 that “Fair Trade makes globalization and ‘free trade’ work for the poor” (TransFair USA, 2005) is also shared by many.

Thus, the growing participation of commercial actors in the Fair Trade movement who have been flourishing due to the prevailing free trade conditions under the neo-liberal system has led to the strengthening of the relationship between the big business corporations and the idea and movement of Fair Trade. As Lekakis (2013) remarks,

Roots of the tensions inherent in the mixed (market and movement) formulation of Fair Trade are to be found in its three-fold relationship with neoliberalism. Three socio-political formulations of Fair Trade can be identified as: (a) a systemic approach to development, (b) a social movement and (c) a participatory market-based activism. (Lekakis 2013: 23)

Consumers of Fair Trade goods have been traditionally inspired by a persistent opposition to the effects of neoliberal globalisation manifesting through the increasing growing poverty levels and increasing damage to the environment across many areas within the developing world. However its quest for “social justice and environmental sustainability”, Fair Trade follows a market-based way out to the problems which have their origins in the very free markets and here lies the paradox. As Fridell (2007: 21) remarks, Fair Trade’s “voluntarist, non-statist program has been viewed by public institutions and corporations as being fundamentally compatible with neoliberal reforms” Thus instead of demanding for the legal and policy based intervention by the states on the part of the farmers and workers of the

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<sup>29</sup> Neoclassical Economic Theory is associated with neoliberal policies and promotes the idea that market when allowed to work freely leads ultimately to the fair and just distribution of social resources.

south, Fair Trade has been seeking “social justice” by espousing the very deregulated markets that are themselves habitually liable for the plight of the marginalised communities (Lyon 2010). Thus, the means of accomplishing social justice by Fair Trade are constrained by the structure of existing markets and the entities that dominate them, leading in many cases to Fair Trade’s cooptation by the very corporations that the movement formerly opposed.

Small-scale producers in the rural areas in the developing countries are confronted with the absence of several key conditions on which classical and neo-liberal trade theory is based (Nichols & Opal 2005: 132-54). These very small scale producers who are the target audience of the Fair Trade movement face a severe handicap in the form of the lack of the basics like the non-existence of proper access to the market, lack of proper facilities of transportation, language-barriers owing to and perpetuated by the lack of education and lack of market information, thus making them an easy prey for the intermediaries in the form of the middlemen and the big corporations to exploit this situation. As a result, most of the producers remain excluded from the dealings of the financial markets or insurances owing to their lack of education and information. Similarly, the lack of access to credit and the helplessness due to the incapability in switching to other sources of income in response to sudden price slumps for their produce or creations makes it extremely tough for these small-scale producers to keep their survival under the ruling international free trade regime. These very situations prevalent through the market disclose key power asymmetries inherent in the global commodity markets within the prevalent free international trading regime which throws all the producers, irrespective of their class and conditions at the hands of the vagaries of the market. Fair Trade claims to redress these difficulties by trading directly with producers, promoting long-term trading relationships and by paying a floor price and a social premium.

## **Conclusion**

The history and evolution of Fair Trade provides an interesting insight into not just the making of this practice into a movement and the process of turning itself into a complex network (Fridell 2011) involving a variety of players and stakeholders but also provides key insights into the process of the ideological evolution of some of the very important debates of our times related to development, justice, equity, labour rights and consumer-centric world through this interesting narrative of the historical and political journey of Fair Trade. In fact, Fair Trade acts as an interesting platform for subsuming and including many important issues

under its umbrella especially the marginalised ones through its pronounced focus on the marginalia of the south.

Thus, this chapter has taken a historical entourage of the Fair Trade movement by tracing its evolution in both ideological and international politico-economic contexts. Fair Trade thus in a way is a product of its times and has in fact gradually acceded to the demands of the changing international political-economic situations. The growth and development of Fair Trade from its alternative trading phase to its commercial avatar and then retaining elements of its precursor practices after the onslaught of critics has only pointed towards the movement's zigzag turns after traversing the pathway of neo-liberal turn thus 'using the market to fix the ills of market'. Advocating or being against some of its practices and principles is not a question of choice for many researchers and academicians as the movement in its very goals and principles has been very clear and focused for the producing community of the south. However, the processes and methods and path it has over the years taken have been put to questions by scholars time and again.

This chapter has thus tried to put up Fair Trade not just through its evolutionary track but also through the various lenses like the debate and relationship between free trade and neoliberal ideology and practice across the world. Thus where does Fair Trade stand as an idea in relation to the idea of Free trade and if it begun its journey as an instrument to restrain the ills of the international free trade system, how did it end up using this very free market principles and mechanisms for its very growth without caring for its actual development as an altruistic doctrine meant for uplifting the downtrodden humanity of the south. Thus, though the debate over its neo-liberal focus and inspiring the deregulation of state has been on since its mainstreaming, it remains to be seen as to how much and how it has managed to create a niche for itself among many non-state centric market based interventions<sup>30</sup> in the lives of the people which would consequently unfold in the forthcoming sections of the study.

The next chapter brings out a picture of the Fair Trade practice across the Global South, tracing out the importance and contribution of each region and continent in the Fair Trade movement. It brings out the major demands of the global south for the Fair Trade movement and the problems, issues and strengths in each of the regions of the global south.

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<sup>30</sup> Market-based interventions here in the context of improving the livelihood opportunities of the poor are terms that are used loosely to refer to interventions that help the primary producers to get a better price for their produce.

## Chapter 3

### Fair Trade across the Global South

#### Introduction

This chapter aims at presenting various aspects related to the world of Fair Trade and its implementation across the Global South. Since the very beginning of the concept, practice and the movement of Fair Trade, the north versus south debate has always been central to this movement. Thus, the origin of the movement lies in the north and driven by the concerns of the conscious and concerned citizenry cum consumer in the north, but the supplier has predominantly been the Global South. So, there is a critical picture from the Southern side of the Fair Trade practice which needs to be told to get a picture of the Fair Trade world from the view point of the targeted section. The origins and expansion of the movement have all been driven by the demands, mandate and dictates of the northern world because they have been the thrust behind the movement, being the buyers and hence primarily the movement's builder. Though the purpose has been to uplift the producers in the south, there has been a north-south divide on which the movement has thrived.<sup>31</sup> However, with the growing middle class and the increasing purchasing power of the consumers in the southern/producer's countries, the movement is also trying to target and focus on the consumers in these very countries. This is happening owing to at least two factors: firstly, the markets in the developed north have a limit to their expansive capacity to absorb the Fair Trade goods. And a complete reliance on the global north for the consumption of the Fair Trade products puts many of these products and their sale on the risk of being thrown out of the already saturated markets of the north. So, while many Fair Trade commodity goods can have relevance e.g. coffee, banana and chocolate<sup>32</sup> because of the constant demands in the north but many manufactured Fair Trade goods like handicrafts and textiles might face the problem of saturation in the northern markets until they improvise upon their designs and techniques

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<sup>31</sup> As explained in the first chapter, north-south divide has been aimed at being redressed and at the same time being reinforced by the Fair Trade movement.

<sup>32</sup> Commodity goods differ from manufactured goods in terms of not just their form but also method of production. While the former involves the production of a good in just its natural state, the latter requires a transformation of the goods from their natural state to that of a manufactured finished one thus putting up a unique quotient to it, hence making it difficult for a set standard to be followed for each of the manufactured commodity or its process. Thus, in the case of the latter, only the organisational norms on an overall basis can be followed and hence organisation, labelling or certification is the norm for such products or manufactured commodities.



much. Secondly, the post-globalisation world is rife with an educated new consumer class which has the consciousness of at least being the chooser/actor when shopping given that shopping/ market in itself occupies a lot of attention and activity in the new world and this newly emerging global class in these countries. These very people are now the targets of the brands, companies as well as the Fair Trade industry. Thus the Fair Trade mark/label which had its expansion mostly in the developed north is seeing its local launch in many of the countries of the global south. For example, the Fairtrade mark to target the Indian consumers was launched in India officially in November, 2013. And there are Fair Trade advocacy and awareness campaigns being run by the regional chapters/networks in the countries of the south to make the government and the citizens aware of the Fair Trade movement.

However the researcher feels that the use of the term movement for Fair Trade in the south is not justified. As Fair Trade originated as a solidarity mechanism graduating to alternative trading and then to the mainstreaming phase, it gained the thrust and the drive and the scale of a movement only in the north. The Southern part of the Fair Trade practice remains at the supplier side, with the movement level spread and intensity and output still missing from the Fair Trade practice. Thus, Fair Trade can at best be called a practice and an activity undertaken by many organisations/ FTOs guided and run by their regional/country networks.

Thus, traditionally and still to a larger extent, there have been countries which have been 'Fair Trade consumers', mostly in Europe and North America, where Fair Trade goods are sold, and 'Fair Trade producer countries', mainly in Africa, Asia and Latin America, where Fair Trade goods are produced. The contentions within the Fair Trade movement have their origins in the demands of Southern actors regarding the movement's adaptation to specific national and regional settings and the goals related to sustainable development. Fair Trade as a practice has seen many divergences across the global south and there are growing divisions among the nature and practice of the Fair Trade in the South. The most important demands from the southern arm of the Fair Trade revolve around the development of Fair Trade markets in the south, demand for greater participation of the southern players in the markets of the north and adaptations of the policies of the Fair Trade in the multilateral trade context.

This chapter unfolds by situating the practice of Fair Trade through the role of the two world level bodies WFTO and FLO in the agenda setting for the south. Then there would be an examination of the role of the regional networks in promoting and keeping their regional issues and demands from time to time before the movement's course of action and making

their voices heard in getting the regional/local issues of the Fair Trade noticed by the larger movement. The key regions and countries contributing to Fair Trade sales, output and production and the type of goods they are specialised in are also to be examined so as to provide a glimpse into various southern regions and the nature of Fair Trade operations in these regions. Also, important to this discussion is the larger demands of the south as a whole in the context of the Fair Trade movement and the general demands for the betterment of their people.

### **Demands of the Global South in Fair Trade**

There are many issues in the Global South which have led to some common as well as diverse demands from the different regions in the global south for the adaptation of the Fair Trade movement in accordance with their requirements. The demands which are common and united among the Southern states are related to these following areas of concern:

- (1) The concern and the demand for the protection and greater participation of small producer organisations (both old and new) in the northern markets especially since the beginning and spread of the commercialisation of the Fair Trade practice and the involvement of big players like big plantations and big corporate players in the Fair Trade movement.
- (2) The demand for certain changes in the policies of the FLO and asking for more representations and increase in the scope for the accommodation of the regional voices through the building up of the national Fair Trade systems more effectively especially in the countries of the south.
- (3) The demands for the development/ expansion of Fair Trade at the local and regional level through more penetration aimed at providing greater access and support to the disadvantaged producers and workers by developing fairer markets in such a manner so as to not eliminate low income consumers.
- (4) The need and demand for changes aimed at the multi-dimensional areas working at the general level of the Fair Trade world recognising asymmetries between the North and the South based on socio-politico-economic conditions. All these issues form the common demands and concerns of the countries involved in Fair Trade across the Global South; however dealing with these and other issues in reshaping Fair Trade depends on the

consensus reached amongst the diversity of demands among the various countries and regions of the Global South.

Fair Trade saw dramatic growth since the beginning of the 21<sup>st</sup> century, led by the high growth in the area of the Fair Trade certified products. Thus, between the years 1998 and 2004 alone, the number of commodities carrying the Fairtrade label increased from seven to eighteen. The same period saw the increase in the number of the membership of certified producer groups from 211 to 433. The volume of certified fairtrade sales also saw a drastic increment of about 4 times in this time period from “28902 to 125595 metric tons” (Raynolds and Long 2007: 25). This impressive growth is explained by the attention Fair Trade got from consumers, producers, activists, businesses and the media together in this phase which continues to increase as claimed by the movement and its people. Fair Trade products consist of one of the fastest growing sections in the global food market.

### **The Organisation and Structure of Fair Trade**

The Fair Trade system has two kinds of parallel running systems within its ambit. The Fair Trade world consists of two types of certification and governance of the movement and its people, for whom it works, WFTO (World Fair Trade Organization, formerly called IFAT or International Federation for Alternative Trade) and FLO (Fairtrade International, formerly called Fairtrade Labelling Organisation International). While the former represents the less commercialised form of Fair Trade based on membership and organisational certification, the latter embodies the commercialised product labelling based version called Fairtrade, denoted by the ‘Fairtrade mark of certification’. The two types of Fair Trade need to be understood with clarity to get a true picture of the whole chimera of Fair Trade. While the larger goals of the Fair Trade movement being the same, consisting of trade justice, upliftment and welfare of the marginalised producers of the global south, their approaches and ways of functioning differ, so does their membership structure and criterion. The following section will analyse their ways of functioning especially vis-à-vis the poor producers and the regional demands of their southern member organisations and networks.

## **World Fair Trade Organisation (WFTO)**

WFTO is the global network of local Fair Trade Organisations (FTOs), the national-level Fair Trade networks and Fair Trade support organisations which includes associate organisations and individuals who are all working in around 80 countries across the globe. It acts as the global coordinator of the non-product certified/labelled type of Fair Trade. Under this system of WFTO style of Fair Trade, various regions of the world dealing in Fair Trade have been classified into five regional networks which exist broadly in Africa (including Middle East), Asia, Europe, Latin America and the Pacific Rim. These regional networks support and in turn also get supported by the WFTO for their activities. Thus a mutually beneficial and symbiotic existence for the regional networks and the WFTO exists.

Each of these regional branches has its own operational structure and office and exist as legally independent entities. Then there are several country networks within many countries. There is a surge in the number of (independent) country networks with each passing year. These country networks act in coordination with their respective regional networks of WFTO on issues related to advocacy and campaigning activities of the Fair Trade. Thus there is a chain of global, regional and country network structures which aim at facilitating many important services to WFTO members on issues and problems like access to markets, development of markets, capacity-building among the FTOs (which involve compliance to the Fair Trade principles and their business development) and advocacy and support for Fair Trade. They serve as a facilitator and a platform for exchanges between the various members, as well as act as the focal point for alliances with external stakeholders.

WFTO envisions a world where “trade structures and practices would be transformed to work in favour of the poor and promote sustainable development and justice.” WFTO’s declared mission is “to enable producers to improve their livelihoods and communities through Fair Trade.” (WFTO Annual Report 2011) Thus, WFTO acts as the promoter for the various Fair Trade Organisations, ensuring that the voices of the producers belonging to these organisations are heard. WFTO claims to be the interest keeper of the producers, especially that of the small farmers and artisans among them. Thus, it claims to make all its rules, structures, governance and decision-making while keeping in mind the welfare of these producers as the goal. At the global level, WFTO aims at empowering the producers in the development of their livelihood options and to help them in the development of their communities through Fair Trade. This is carried out by providing access to the markets for its

members across the world through various policies, advocacy for their cause, campaigning, marketing and monitoring their performance.

This approach of WFTO is different from its labelling counterpart in Fairtrade, FLO or Fairtrade International in which products complying with a set of international standards are provided with a product label or certification indicating that they have been “produced, traded, processed and/or packaged” in agreement with the specific pre-requisites of those set international standards.

While WFTO guarantees for the commitment and behaviour of the FTOs which are Fair Trade guaranteed, the above mentioned approach or labelling initiatives under FLO system certifies only products. According to the WFTO,

100 per cent Fair Trade operates under a different set of values and objectives than traditional trade, putting people and their wellbeing and preservation of the natural environment before the pursuit of profit (Renard 2003: 89).

Thus the WFTO guarantee system acts as a guarantee for not the products, but the processes and the mechanisms involved in making a particular type of product category. Thus the products which carry a WFTO label are actually qualitatively of different nature and genre than the FLO certified/labelled products. WFTO is essentially a global trade association for Fair Trade producers and traders of both FLO-certified products and non-certified goods the membership to which is open to both trading and non-trading organisations which satisfy the basic Fair Trade criteria, and its current membership spans all the continents. The application for the WFTO membership begins with the process of self-assessment through SAR (Self-Assessment reports) of the seeking FTOs that must include existing WFTO members as referees. Once accepted into the WFTO system, members are accountable to be externally audited by the WFTO on an ad hoc basis. There exists some membership fees for this which varies from region to region and the type of Organisation. It is very important to understand here that not all the products or organisations (FTOs) falling under the regional or country network membership are liable to be Fair Trade guaranteed. The FTGS (Fair Trade Guarantee System) is the exclusive privilege owned by only a small percentage of the total FTOs under the WFTO’s system of Fair trade. It is explained in greater details in the upcoming sections.

The organisational structure of the WFTO consists of an elected Executive Committee (meant for taking strategic decisions and carrying out the planning of the activities) and an

appointed Secretariat (which acts as a meeting ground for the membership) and the membership.

### **The Goals of WFTO**

The actions and programs of WFTO focus on accomplishing their strategic goals. For the period 2013-2017, these goals have been divided into the following:

Credibility & Identity: To become the global membership body for all the Fair Trade Organisations (FTOs) fully committed to the empowerment of the marginalised producers, farmers and workers through trade,

Learning: To be a space where members connect with each other to work together, to cooperate, create synergies, and share innovative ideas and learning,

Voice: To create a common voice that speaks out loudly for Fair Trade and trade justice and is heard,

Market Access: To enable members to access tools and training to improve market access locally, regionally and internationally,

Capability: To have the internal leadership, capacity, resources and structure/s for good network governance which enable the WFTO to be dynamic, flexible and healthy. (WFTO Annual report 2013)

Thus the stated goals and objectives of the WFTO are as follows:

- To work for the development and expansion of the Fair Trade market. WFTO works with its members to nurture an encouraging environment for the market growth of Fair Trade. It does so by strategically linking its membership base to other useful resources and support networks beneficial for its members and Fair Trade as a whole thus participating in networking, campaigning and lobbying at the right places and situations.
- To create and sustain trustworthiness in the practice and movement of Fair Trade. It has thus formed a strong monitoring system for its member organisations in order to add credibility to their Fair Trade qualifications. The monitoring process constituted through the WFTO system consists of three stages, firstly, self-assessment against the WFTO principles and standards meant for the Fair Trade organisations, secondly, mutual evaluation among the various trading entities or FTOs and thirdly, the external or third party verification or auditing.
- To garner support and popularity for Fair Trade. In order to speak out for the cause of Fair Trade, WFTO uses a number of means and strategies. It conveys the message of Fair Trade by evolving its own mechanisms such as observing a day for Fair Trade and

choosing a theme every year to be observed throughout the world among the existing WFTO member FTOs. In this series every year a World Fair Trade Day is observed on the second Saturday of the month of May.<sup>33</sup> It connects its own specific standpoint on the contemporary issues and debates surrounding trade and development with that of its member organisations.

## **Current Status of the WFTO Members in the Global South**

WFTO regional networks are legally independent organisations within each broadly divided region of the WFTO across the world. These regional networks share the same ethos and values as that of their world level body, WFTO. These values consist of their commitments to the WFTO principles in particular and Fair Trade in general, their goal being to support the WFTO and its membership (namely in carrying out the Fair Trade Guarantee System or FTGS)<sup>34</sup>, as well as a joint brand and identity - to mention just a few.

Throughout the year 2014, all regions and regional networks of WFTO maintained their support to the members in their region to implement the newly introduced system of Fair Trade Guarantee System (FTGS). These regional networks have been dealing with both new applications for the same and the Self-Assessment Reports (SARs)<sup>35</sup> under the new System. Alignment between the regional and global memberships for this purpose is important and has been achieved.

By the end of 2014, the WFTO consisted of 359 member organizations or FTOs and 46 individual associates across 79 countries. These 359 member organisations consisted of the following: 308 Fair Trade Trading Organisations (FTO), 24 Fair Trade Support Organisations (FTSO)<sup>36</sup>, 26 national Fair Trade Networks (FTN), as well as and 1 Associate Organisation

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<sup>33</sup> It was in the year 2002 that the first World Fair Trade Day was celebrated to increase the consumer awareness of Fair Trade and to strengthen connections among the Fair Traders and interested citizens around the globe.

<sup>34</sup> FTGS is the new Fair Trade System of WFTO agreed at the AGM of WFTO held in Mombasa. It was introduced in its present form as the WFTO Guarantee System at Rio conference of the WFTO held in 2013. It is a strong system of participatory monitoring and membership which is certifiable and enables the members of the WFTO to carry a label on their products. However, this label is not a product label rather it is an organisational label which states that the particular FTO is a 'Guaranteed Fair Trade Organization'.

<sup>35</sup> This includes a "supplier monitoring form, assessment of compliance, progress in relation to the agreed Improvement plan and proposal for their future Improvement plan. Members are also asked to propose peers to do their next Peer visit." (WFTO Annual Report 2015)

<sup>36</sup> These are the organisations which are not directly involved in the production or trading of Fair Trade products but are the supporters of Fair Trade principles and activities. The primary mission of these organisations is to

(AO)<sup>37</sup> (WFTO Annual Report 2014). Similarly, the end of 2015 saw the membership of WFTO to increase to 364 member organisations. These 364 member organisations include 304 Fair Trade Trading Organisations (FTO), 31 Fair Trade Support Organisations (FTSO), 28 national Fair Trade Networks (FTN), as well as and 1 Associate Organisation (AO) (WFTO Annual Report 2015).

The Global Office of the WFTO is headquartered in Amsterdam. WFTO consists of four regional networks: WFTO-Africa (formerly COFTA), WFTO-Asia, WFTO-Latin America and WFTO-Europe. North America and the Pacific Rim are only informally organised as a region. More than 72 percent of the members of the WFTO are based in Africa, Latin America, Asia and the Middle East, a minor increase of only 2 percent from the preceding year. Asia had the most number of members followed by Europe. Membership growth in the Pacific Rim region has continued to be a problem (WFTO Annual Report 2015).

This is an important figure as Africa, Asia and Latin America forming the Global South hold the major chunk of the membership of WFTO or the non-product labelling version of Fair Trade. All these regional networks run through democratically elected global and regional boards that seek “to create market access through the activities of policy, advocacy, campaigning, marketing and monitoring.”

The Southern membership of WFTO thus, is much more in terms of numbers than its Northern members (the WFTO regional membership in the South accounts for more than 70 percent of its global membership). Even within the South, it is the region of Asia which is the leading member in the South (consisting of more than 50 percent members alone). The majority of members of WFTO are involved in the production, sale and/or export of manufactured goods like handicraft items, toys, textiles, musical instruments and only some commodity goods like tea, coffee, and spices.

This is unlike its product-labelled version or FLO governed Fairtrade as we would see in the coming sections. Two thirds of the WFTO membership consists of organisations in such countries of the South which led an active and participative role in conscripting the procedure for obtaining certification and the system documentation.

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promote Fair Trade through provision of technical, financial, business advisory or other services to Fair Trade producers and/or Fair Trade organisations.

<sup>37</sup>WFTO has a category for Associates who are organisations or individuals who support or promote Fair Trade, with limited membership rights. The WFTO Guarantee System does not apply to them.



Also all the regional secretariats associated with the WFTO act in constitutional alignment with the Global Constitution adopted by the WFTO. These regional secretariats are supported by the country networks within the respective regions and their volunteers and serve as the centre for the propagation of important activities and services offered by the various agencies/organisations to members in the region. Country Networks are the Fair Trade associations based on membership at the country level. These networks have been established in order to provide a platform for organisations or individuals who subscribe to the spirit of Fair Trade or belong to a Fair Trading Organisation. Some members of the country networks may choose or fulfill the criteria of WFTO membership but it is not a compulsory requirement in general for an FTO to opt for the WFTO membership. Thus country networks are autonomous bodies that don't receive any form of direct financial support from the WFTO. They are responsible for their own funding, constitutions and governance. Country Networks have an important role in accessing the individual producer organisations and the producing communities as well as in maintaining the channel of communication and transmitting important information.

### **WFTO Membership Criteria**

WFTO is the main regulating body of the integrated supply chains route<sup>38</sup>. Its members represent the Fair Trade value chain from production to sales. All WFTO members are required to pass through its monitoring system in order to get its membership. This monitoring system is based on Self-Assessment Reports (SAR). The SAR is an internal audit tool when members report on their adherence to the 10 Principles and provide the evidence to support their statement. WFTO has several regional divisions which are being discussed below.

#### *WFTO Latin America (WFTO-LA)*

It is the regional office of the World Fair Trade Organisation (WFTO) for the region of Latin America. Currently, this regional network in Latin America is made up of 63 members from 13 countries. It declares its mission to strengthen the capacities of advocacy, marketing and

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<sup>38</sup>The 'integrated supply-chain route' is a system in which all the actors across the chain (from producers, to exporter/importers, wholesalers, retailers, etc.), are jointly committed to Fair Trade and Fair practices.

monitoring members of WFTO-LA and promote cooperative relations between them and other stakeholders to improve the life and conditions of small producers in Latin America. Its regional office is located in Quito, Ecuador. The Consortium of Solidarity Economy and Fair Trade of Ecuador, composed also by WFTO-LA members in that country, has undertaken very important advocacy activities. Among these advocacy activities is also organising the meetings with the government. It led to the document “Ecuadorian Strategy of Fair Trade” being given to the institution in charge of the public policy for trading of Ecuador. WFTO-LA 2014 Virtual Conference discussed key topics such as Fair Price, Fair Wages; Guarantee System; and AGM elected new members for Regional Board.

### *WFTO Africa and Middle East*

WFTO Africa & Middle East currently has about 90 producer organisations which are largely non-food producers, from over 20 countries in Africa, the Middle East, Mauritius and Madagascar. It consists of 78 members out of which only one is a Guaranteed Member but at least 5 members are in the process for the external audit for getting the guaranteed member status.

Formally registered in 2007, WFTO Africa & Middle East claims to fulfill its mandate of growing and developing Fair Trade across the region, and facilitating the registration of small-scale producer organisations to become the members of WFTO. They work in partnership with many organisations and networks at the country level and informal sector to enhance their effectiveness and work. Some of the important organisations with which they work within Africa are Women in Informal Employment Organizing and Globalizing (WIEGO), Kenya Federation for Alternative Trade (KEFAT), Uganda Federation for Alternative Trade (UGAFAT), Gumotindo Coffee Cooperative (Uganda) and Kuapa Kokoa Cooperative (Ghana). They have been working on the development of training modules for informal women workers in Fair Trade (targeted for wider regional dissemination and use to begin from the year 2015). Together with WIEGO, WFTO-Africa and Middle East hosted the first ever learning and sharing forum on Home Based Workers (HBWs), bringing together participants from Egypt, Kenya, South Africa, Uganda, India, Sri Lanka, Nepal, Pakistan and Bangladesh.

There are thus many Country Networks in Africa. Some of the active ones among them are KEFAT in Kenya, RWAFAFAT in Rwanda, SWIFT in Swaziland, TANFAT in Tanzania and UGAFAFAT in Uganda.

#### *WFTO-Asia*

WFTO-Asia represents the largest among the five regional networks in the global WFTO community of 329 members and makes up 102 of the WFTO's 205 Southern members. Members are spread across countries in the range of Bangladesh, India, China, Sri Lanka, Thailand, Laos, Nepal, Vietnam, Cambodia, Indonesia, East Timor and the Philippines. Since its inception in 2001 WFTO-Asia has strived to bring better attention for the Fair Trade craft market which has been located primarily in Europe but has seen a decline in the last one and a half decades. About 90 percent of the membership of the WFTO-Asia comes from the organisations and member groups involved in the craft sector (some 80 percent of which consist of female producers). Thus as the largest supplier to the Fair Trade craft markets among all the WFTO member organisations, WFTO-Asia has been extremely conscious of the declining prospects and market access offered by the existing Fair Trade distributional network for craft.

Moreover the problems like the marginalisation of Fair Trade craft markets in terms of falling demands in comparison to the Fairtrade food, and the growth potential offered by the mainstream markets as opposed to Fair Trade market channels have been issues which all these regional networks working with WFTO integrated supply chain model have been lately aware of and struggling to find a solution for. Over time WFTO-Asia's perception of and solutions to the roots of this crisis have evolved.

WFTO-Asia harmonised a regional level programme for the capacity building of the producers in order to improve WFTOs' access to the markets and market competitiveness between the years 2001 and 2008.

Thus according to a statement given on the WFTO-Asia website which reads as follows,

This action was based on the assumption that overcoming producer organisational capacity issues would lead to greater sales. However, a strategic review of WFTO-Asia in 2008 drew attention to wider systemic problems in Fair Trade that contribute to its members' persistently poor competitiveness, market access and sales. The Review has led to a distinct and bold reorientation of WFTO-Asia's approach and strategic operations. Rather than continue to focus on improving members' organisational capacity, WFTO-Asia now intends to address members' trading capacities-such as production volumes, product quality and

delivery times-and intervene directly in increasing members' market access and sales by operating as a regional trading platform. (WFTO Asia Website)

One point to be noted is that many country networks pre-exist the region or continent based networks of the WFTO. So, the country based network at the India level called the Fair Trade Forum-India or FTF-I actually was formed officially in the year 2000 itself, almost a year before the formation of the WFTO-Asia. FTF-I would be introduced in the next chapter dealing with the India level picture of Fair Trade practices in India.

The next section deals with another stream in Fair Trade movement, the Fairtrade International or FLO which is the frontrunner international Fair Trade body for the product-labelling version of Fair Trade, more clearly expressed through the word Fairtrade, which is the name by which commodities are certified by the FLO.

### **Fairtrade International (FLO)**

Created in 1997, FLO's stated mission is to "improve the position of the poor and disadvantaged producers in the developing world, by setting the Fairtrade standards and by creating a framework that enables trade to take place at conditions respecting their interest"(FLO 2009). FLO's work involves Fairtrade standard-setting, product certification and trade auditing, and producer support services. Registered FLO producer groups are needed to comply with FLO standards and their products are open to be sold through 'mainstream' supermarket retail outlets.<sup>39</sup> FLO or Fairtrade International presently consists of 19 such Fairtrade labelling initiatives under its ambit (an increase from 17 such initiatives when it was founded) spread across 24 countries of the world, two Fairtrade marketing organisations and one associate member, as well as three producer networks representing producers from the continents of Africa, Asia and Latin America & the Caribbean. The producer networks provide 50 per cent of representatives at the FLO General Assembly, making them half-owners of the global Fairtrade system.<sup>40</sup>

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<sup>39</sup> The mainstreaming of the Fair Trade movement has seen its epitomisation in the path embraced by the FLO and the labelled products which bear the Fairtrade label or mark and can be found at the commercialised channels such as retail outlets across the world and not just the dedicated world shops or exclusive Fairtrade shops.

<sup>40</sup> The equal representation of the producers on the General Assembly of the FLO has been a battle hard won and fought for the producing community from the Global south and is discussed in details in the upcoming sections of this chapter.

In the words of Nicholls and Opal (2005: 8), the main objectives of FLO are at least three important ones, firstly, 'to act as a guarantee for the veracity of the Fairtrade mark and its certification process, to facilitate the business of Fair Trade by helping in matching the supply and demand of the products and to offer support to the producers and provide them consultancy to develop their business strategies.' FLO thus inspects the producer groups associated with it in order to certify them in lieu of their required compliance with Fair Trade standards such as democratic organisation, financial accountability and transparency within the organisation and supply chain, good working conditions, and progress with respect to the social and community development goals set by the organisations. FLO and its members then license companies to use the FLO's Fair Trade mark on their products. This label or mark signifies that for a given product all the set Fair Trade standards such as payment of a minimum price, provision for advance credit, and long-term trading relations among others have been met.

FLO works to secure a better deal for farmers and workers (read producers) situated in the developing countries. It is the owner of the Fairtrade Mark - the product label that certifies about a product having met the international Fairtrade Standards. Similar to WFTO, it envisions a world where all producers can enjoy secure and sustainable livelihoods, fulfill their potential and decide on their future. It is a non-profit organisation which has partners and supporters from all over the world. It consists of members comprising three producer networks (claiming to represent the interests of farmers and workers) and 19 labelling initiatives that market and promote Fairtrade in consumer countries. It states its mission as follows,

'...to connect disadvantaged producers and consumers, promote fairer trading conditions, and empower producers to combat poverty, strengthen their position and take more control over their lives.'(FLO website)

## **FLOCERT**

FLOCERT is the independent certification body of the global Fairtrade system or the product-labelling route in the Fair Trade world. Thus the international Fairtrade system (unlike the WFTO based Fair Trade system) includes three producer networks, 25 Fairtrade

organisations and the Fairtrade International (FLO), and the FLOCERT, the independent certification body of the global Fairtrade system.

FLOCERT is the independent certifier for Fairtrade. By checking compliance with Fairtrade Standards, the company ensures that the relevant economic, social, and environmental standards are met and that producers receive the Fairtrade Minimum Price and Premium. The head office of Fairtrade International is situated in Bonn, Germany.

Thus FLOCERT is a worldwide association of 25 organisations that coordinates Fairtrade labelling at an international level. Fairtrade International sets international standards in accordance with the ISEAL Code of Good Practice on Standard Setting<sup>41</sup>. One set of standards by FLOCERT applies to small producing communities which are working collectively in co-operatives or other organisations with a democratic structure. The other set of principles under FLOCERT applies to workers, whose employers pay decent wages, guarantee the right to join trade unions, ensure health and safety standards and provide adequate housing where relevant.

Fairtrade Standards also cover terms of trade. Most products have a Fairtrade Minimum Price, which is the minimum that must be paid to the producers. Certification standards have differences according to the commodity in question and the scale of the enterprise that produces it (FLO 2008). Thus, as discussed above, small-scale Fair Trade farmers must belong to democratically run producers' associations in order to receive the benefits of Fair Trade prices and the producers must satisfy a set of criteria against which FLO attests that goods are grown or manufactured under conditions of social equity and environmental sustainability.

In addition to the Fairtrade minimum price, producers also get an additional sum called as the Fairtrade Premium. This Premium money is collectively the ownership of the entire community of Fairtrade producers and they get this in order to invest in their communities' development in whatever ways needed or required. It varies in its form from region to region and even within a region from community to community.

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<sup>41</sup> ISEAL is the global association for sustainability standards. It was founded in 2002 by a group of leading sustainability standards. In its own words (ISEAL website), "the ISEAL Alliance is a young and dynamic organisation with an influential global reach with a vision for a world where social justice and environmental sustainability are the normal conditions of business. We believe credible standards can help to make this vision a reality."

Moreover, additional standards apply even to specific products such as coffee, tea, fresh fruits, cut flowers, seed cotton, sports ball or timber. There are now thousands of products in more than 120 countries that carry the “Fairtrade Mark.” (Fairtrade advocacy website)

Thus the participation in Fairtrade is open to all eligible growers, irrespective of their ethnicity, gender, religion, or political affiliation. However, if Fair Trade products originate on larger commercial farms instead of the small-scale farmers, farm owners are expected to abide by the standards set up by the International Labor Organization (ILO), thus affirming their right to association (including union membership), freedom from any kind of discrimination, prohibition of child or involuntary labor, and workplace safety. In addition to these, a host of other important environmental criteria apply to the production of Fair Trade goods, all designed to minimize the impact of farming on watersheds, topsoil, and wildlife. For example, there is a prohibition from the use of herbicides and maintenance of fallow areas contiguous to streams in order to minimize the chemical overspill and the problem of soil erosion. Thus, chemical inputs are limited to a narrow range of approved substances, and the amounts and frequency of their use must be recorded on each farm.

However, these requirements and conditions for Fair Trade have their origins in the FTOs based in developed countries and they are examined through on-site visits by the representatives of the FLO-Cert (the third-party auditing body reportable to FLO) These requirements are subject to little or no adjustment from the farmers who seek certification for their products.

In some cases, the standards set through and in the name of Fair Trade have been criticized for their apparent arbitrariness and the lack of transparency (Raynolds 2002, Calo and Wise 2005, Giovannucci and Ponte 2005, Lyon 2006). By the year 2005, the FLO had set certification standards for producers of coffee, tea, cacao, bananas and many other fresh fruit and vegetables, sugar, honey, orange juice, wine, cut flowers, and spun cotton, as well as for producers of some manufactured goods. All of these items are prominently displayed on supermarket shelves in the United Kingdom and continental Europe and are heavily promoted in broadcast and print advertising. A commitment to fair trade principles is also conspicuously advertised on European retailers’ Internet websites as a measure of their corporate social responsibility.

## **Current Status of Certified Fairtrade in the Global South**

The last decade of the 21<sup>st</sup> century has seen its own revivals in the Fair Trade market and production. Thus, as the Annual Report of Fairtrade International or FLO (2013-2014) reports, the number of farmers and workers joining the Fairtrade network saw an outstanding growth of 9 percent. Thus their numbers crossed the figure of 1.65 million by the 2014 end. Likewise, there was also a growth in the numbers of farmers who chose to be associated with Fairtrade in all the three regions of the South i.e., Asia, Africa and Middle East, and Latin America. Also the figure of the number of farmers and workers in the Fairtrade system located in Africa and the Middle East alone is as high as about 64 percent of all the farmers in the world, an increase of about two percent since 2013. However, the Fairtrade plantations saw a major slump in the number of workers across many important products. Latin America and the Caribbean hold about 20 percent, and Asia and Pacific hold about 16 percent of the number of farmers and producers in the certified Fairtrade category. Thus Africa and Middle East remains the highest in terms of the number of Fairtrade certified farmers and workers. However, the point to be noted here is that South Asia hosts around half of all the workers on Fairtrade certified plantations because of the prominence of tea as the major Fairtrade certified product in the region. Thus South Asia remains the only region where the number of workers in the Fairtrade certified plantations increased even if only slightly in the 2014 as it fell in the other regions of the world. This figure in terms of the proportion of Fairtrade plantation workers dropped slightly to 43 percent in the case of Africa and the Middle East. Another important figure to note is that only six percent of the existing Fairtrade plantation workers remain in the Latin America and the Caribbean.

Also, Fairtrade farmers and workers are distributed differently in the different sub-regions among the existing Fairtrade regions. Thus about 49 percent (the highest in terms of sub-region) of the Fairtrade farmers and workers were located in one region of Eastern Africa in the year 2014. Thus countries like Kenya, Tanzania, Ethiopia, Uganda and Malawi jointly host the highest number of Fairtrade farmers and workers.

The following tables present the top ten countries in terms of the number of Fairtrade farmers and workers for the year 2014.



**Table 1: Top Ten Countries in Terms of the Number of Fairtrade Farmers (2014)**

<b>Serial number</b>	<b>Countries in descending order of the number of Fairtrade farmers in 2014</b>	<b>The number of farmers in figures</b>
1	Kenya	381,200
2	Tanzania	148,900
3	Ethiopia	142,500
4	Ghana	105,600
5	India	69,500
6	Peru	65,300
7	Columbia	55,000
8	Uganda	45,600
9	Mexico	35,600
10	Côte d'Ivoire	32,000

Source: Fairtrade International (FLO 2016:21)

The next table depicts the top ten countries in number of workers on Fairtrade certified plantations in the year 2014.

**Table 2: Top Ten Countries in Number of Workers on Fairtrade Certified Plantations (2014)**

<b>Serial number</b>	<b>Countries in descending order of the number of Fairtrade workers in certified plantations in 2014</b>	<b>The number of farmers in figures</b>
1	India	78,100
2	Kenya	34,200
3	Sri Lanka	20,400
4	Ethiopia	12,000
5	Malawi	8,900
6	Uganda	8,900
7	South Africa	6,100
8	Pakistan	5,400
9	Ghana	4,800
10	Cameroon	4,700

Source: Fairtrade International (FLO 2016: 21)

The next table presents the list of top ten countries in the number of Fairtrade farmers and workers in the year 2014

**Table 3: Top Ten Countries in the Number of Fairtrade Farmers and Workers (2014)**

<b>Serial number</b>	<b>Countries in descending order of the number of Fairtrade farmers in 2014</b>	<b>The number of farmers in figures</b>
1	Kenya	415,400
2	Ethiopia	154,500
3	Tanzania	153,200
4	India	147,600
5	Ghana	110,400
6	Peru	65,400
7	Columbia	57,800
8	Uganda	54,400
9	Mexico	38,600
10	Malawi	37,800

Source: Fairtrade International (FLO 2016:21)

These figures point towards the prominence of Africa as a region, especially the countries of East Africa in the association of the local farmers and workers in Fairtrade. India, very importantly figures among the top five countries in all the three tables, especially it tops in the number of Fairtrade workers in Fairtrade plantation farmers.

Though the number of Fairtrade farmers increased in these years, the number of Fairtrade producer organisations however saw a slower rate of growth than in the preceding years. Thus the number of Fairtrade certified producer organisations increased to just 1,226 by the end of 2014 which is a growth of just one percent from the year 2013. Another important point to be noted is that though the number of Fairtrade certified farmers continued to grow rapidly in Africa and the Middle East, the number of Fairtrade producer organisations saw a reduction. Another important fact revealed by the Fairtrade International Report is that,

In 2014, more than 28 percent of all fairtrade farmers and workers were located in low-income countries (LICs). There were Fairtrade certified producer organizations in 20 of the 31 countries classified as LICs by the World Bank. Producer organizations in LICs earned around €8 million in

Fairtrade Premium in 2013-14, representing about seven percent of Fairtrade Premium payments globally. Overall, more than 80 percent of all the farmers and workers in Fairtrade certified producer organizations were located in low-income or lower-middle-income countries (as defined by the World Bank) in 2014. (FLO 2015)

Fairtrade International has three regional networks through which it co-ordinates its work and functioning across the different regions of the world. They are as follows:

*Fairtrade in Asia or Network of Asia Pacific Producers (NAPP)*

Fairtrade NAPP was formally established in 2014. It is an official member of Fairtrade International. Fairtrade NAPP certifies farmers and workers across the Asia Pacific region. The producers belonging to this region share the ownership of the Fairtrade system through this network and it claims to give them an equal voice in the process of decision making.

As a Producer Network, NAPP makes sure that the voice of the producers in the region is heard within the Fairtrade system. The Fairtrade regional Network of Asian and Pacific Producers (NAPP) has fortified its country and sub-regional networks across Asia and Pacific in 2014 significantly. Thus, through NAPP, various country networks have been established at an official level. The new developments include that of the country networks in Thailand, China and Vietnam. Similarly, the producers from Fiji, Tonga and Samoa have organised themselves into a new Pacific network. The formation of robust country and sub-regional networks helps in increasing the say and influence of the producers of a given region on issues relating to national policies, delivering support and training activities and shaping the profile of these producers and that of Fairtrade within their countries. This system is based on the assumption that interests of the producers in a region can be best heard through the larger regional Fairtrade networks.

The growth of Fairtrade has been moderate in the region of Asia and Pacific in the year 2014. Thus by the end of the year 2014, there existed about 187 Fairtrade certified producer organisations in the 18 countries of the region of the Asia and Pacific. 118 of these organisations consisted of small producer organisations, 19 organisations were contract production organisations, and 50 of them were plantations. Farmers and workers in the region of Asia and Pacific consist of 16 percent of the total Fairtrade farmers and workers across the world. The Fairtrade premium earned by the producer organisations consists of about ten percent of global Fairtrade Premium revenues across the world for the year 2013-14. 51 percent of the total workers in the Fairtrade system in the region is occupied by the workers involved in plantations and sports ball factories, however only 11 percent of the global

Fairtrade Premium money ultimately goes to these organisations. This is a clear reflection of the current problems faced by the tea estates and sports ball producers in the region of South Asia. The problem is that of trying to sell as much of their products on Fairtrade terms as possible but not having been able to do so. Thus, there is a huge population involved with these sectors in the Fairtrade certification but they are not able to get the required benefits because of the limited market for their products. Despite these challenges, many plantations and factories continue to maintain their Fairtrade certification because of the fact that it seems to bring other non-monetary gains beyond Fairtrade Premium and sales.

The Fairtrade Premium earned by the producers in Asia and Pacific was reported to be totalling Euro 10.8 million for the year 2013-14, growing by three percent from the levels of 2012-13. However, this increase of three percent was seen only within the small farmer organisations. Plantations and sports ball factories reported very little increment in their Fairtrade Premium revenues.

Coffee has continued to receive the highest share of the Fairtrade Premium revenues in the region of Asia and Pacific. However, the overall share of coffee among the Fair Trade premium has reduced from 45 percent in 2012–13 to 41 percent in 2013-14. The share of cane sugar and tea has remained constant at 23 and 21 percent respectively, while Fairtrade cotton saw an increase in Fairtrade Premium revenues from five percent to eight percent in this time period.

In total, almost 85 percent of all the certified producer organisations in Asia and Pacific received support and training from Fairtrade in 2014. The areas around which training was achieved by the producer groups are that of “internal control systems, managing the Fairtrade Premium, prevention of child labour, disaster prevention, standards compliance and adaptation to climate change.” Thus, in total 105 organisations received training in market access, productivity or product quality. Through their association with Fairtrade. The roll-out of the revised Fairtrade Hired Labour Standard was an important change for Fairtrade plantations in 2014. Tea plantations in Southern Asia were guided through the change with workshops and training on how to implement the new Standard. In India, Fairtrade also held a workshop to support small producer organisations to understand the Fairtrade Standards, to discuss support and market needs, to share market information, and to enable them to share the challenges and needs they face as small producer organizations. Almost every small

producer organisation in India attended. Participants appreciated the workshop and requested more ongoing, dedicated support for small producer organisations. (FLO 2015)

### *Fairtrade in Latin America or CLAC*

CLAC is the Latin American Network of Fairtrade. It collectively represents all the existing Fairtrade certified small producers' organisations and their workers associations in the region of Latin America and the Caribbean. CLAC is the oldest and most activists among the three existing regional networks of Fairtrade International. It has a very crucial historical and political role in structuring the system of Fairtrade. This network has hardly ever deterred from raising the voices on the various issues and demands of the producers in the south which are important for their participation and say in the Fairtrade system.

The origins of CLAC can be traced back to the creation of the first seals in Fair trade over twenty years ago. Formally, CLAC's origins are in the Latin American Network of Small Coffee Producers (called as *Coordinadora Latinoamericana de Pequeños Productores de Café*- CLA, known as just *Coordinadora*) and the Latin American Network of Small Beekeepers (*Pequeños Apicultores Unidos de América Latina* -PAUAL), both founded in 1996. During CLA's Fifth Regional Assembly held in August 2004 in Oaxaca, Mexico, CLAC was established as a legal entity, incorporating representatives of small Latin American and Caribbean Fair Trade producers of a wide range of products.

There were 647 Fairtrade certified producer organisations in 24 countries in Latin America and the Caribbean at the end of 2014. Of these, 572 consisted of small producer organisations and 75 of them were plantations. The major growth in new producer organisations was in Peru, where new coffee producing organisations in particular joined Fairtrade. Fairtrade farmers and workers in Latin America and the Caribbean account for 68 percent of the global Fairtrade Premium due to the popularity of Fairtrade coffee, bananas, sugar and fine-flavoured cocoa from the region. However, producers in Latin America faced significant challenges as sugar prices remained low in 2014, while coffee prices were volatile. Fairtrade Premium revenues totalled almost Euro 72 million in 2013-14, an increase of more than 13 percent on 2012-13 levels. Sales of coffee continued to account for the majority of the Fairtrade Premium earned in Latin America and the Caribbean in 2013-14 (56 percent), while coffee and bananas together accounted for 82 percent of Fairtrade Premium

receipts. Cane sugar and cocoa were the next largest products in terms of Fairtrade Premium revenues in the region, with cane sugar reducing by one percent as a proportion of the total, and cocoa growing by one percent. Latin American and Caribbean small-scale farmers and workers represent 20 percent of the Fairtrade farmers and workers worldwide, proportionately slightly less than in 2013, because of the relatively faster growth in Africa and the Middle East.

### *Fairtrade Africa*

Fairtrade Africa is the independent non-profit umbrella organisation representing the fairtrade certified producers in the region of Africa. Fairtrade Africa was formed in the year 2005. It is owned by the members consisting of the various existing producer organisations within Africa certified against the international Fairtrade standards for the traditionally exported commodities in the region of Africa. The most important commodities of export from the network organisation of Fairtrade Africa consists of commodity goods such as coffee, cocoa, tea, cotton, bananas, mango and non-traditional commodities including shea butter and rooibos tea. Currently, Fairtrade Africa represents over 932,000 producers across the 32 countries in Africa.

Fairtrade Africa like other regional networks is a membership based organisation and its functioning is structured around associations such as product groups, country partnerships and regional networks which enable members to have a strong voice in the governance and management of the organisation. Fairtrade Africa consists of four regional networks within its ambit: Eastern and Central Africa Network (FTA-ECAN) based in Nairobi, Kenya; West Africa Network (FTA-WAN) based in Accra, Ghana and Southern Africa Network (FTA-SAN) based in Cape Town, South Africa. It also has a new network in Middle East and North African region whose regional office is not yet established but is soon to be established. The secretariat of Fairtrade Africa is in Nairobi, Kenya. Fairtrade Africa has almost 50 percent ownership within the Fairtrade system.

### **Women in Fairtrade**

Women have traditionally formed and continue to form a significant section of the total labour force in the segment of hired labour organisations within Fairtrade. This segment of hired labour organisations sees the highest women percentage and thus women form 48

percent of all workers. The percentage of women farmers and workers in Fairtrade certified producer organisations is a little more than 26 percent for the year 2014, according to the data collected through the submitted audit reports of the various regions and organisations. Thus there is a slight increase in the participation of women in certified Fairtrade since the year 2013. The year 2013 comprised 25 percent of women among the total number of existing farmers and workers in the Fairtrade organisations.

In countries like India, Sri Lanka and Pakistan where hired labour organisations are a common phenomenon, women workers constitute as high as 55 percent of the total workforce on the Fairtrade certified plantations. In the region of Africa and the Middle East, women constitute a little lesser, about 44 percent of the total workforce on the Fairtrade certified plantations, with the highest percentage of women in the two countries of Ethiopia and south Africa, 70 percent and 51 percent respectively. This data shows that there is a great scope and opportunity for Fairtrade practitioners to augment their support for the question of gender equality by choosing to work with more and more women workers in plantations.

However, the scenario is different in case of farmer's organisations in the region of Asia and Pacific. In the case of farmer organisations, women membership is much lesser than their counterpart organisations in the regions of Latin America and Africa respectively. This clearly reflects the high levels of gender inequality visible through the low level of female participation in the public institutions of these regions. Thus women formed only 12 percent of the total number of farmer members in the Fairtrade producer organisations in Asia and Pacific. The percentage for the regions of Latin America and the Caribbean continued to remain fixed at 20 percent. Thus the participation of women is most noteworthy in those Fairtrade product categories that are open to plantations, for example flowers, plants and tea in particular. A very important figure is that more than 137,000 women are working either on Fairtrade tea plantations or as registered farmer members of small producer organisations producing tea. Among the product range which are only open to small producer organisations, the section consisting of products like dried fruits, oilseeds and oleaginous fruit categories see a high participation level by women. This is mainly because of the existence of a number of women's cooperatives producing products such as shea butter and dried mangos in Burkina Faso and Mali. Overall, there were more than 415,000 women farmers or workers in certified organisations in 2014, an increase of 19 percent on the number of women farmers and workers in Fairtrade in 2013. (FLO 2015)

However, research shows that Fairtrade only contributes to increased gender equality when there are targeted initiatives in place aimed at doing so, and where leaders of these Fairtrade organizations support and promote gender equality. It is clear that Fairtrade needs to do more to support women's development and empowerment. This requires targeted programming and work with leaders in producer organisations.

In 2015, Fairtrade employed its first full-time gender expert who is developing the work to support increased gender equality. Fairtrade International published its five-year gender strategy in January 2016. Three gender-specialist staff have joined the Fairtrade producer networks. Fairtrade has undertaken a number of specific initiatives focusing on gender equality. The Latin American and Caribbean producer network (CLAC) has developed a gender equality training toolkit to be rolled out throughout the region. NAPP (the Fairtrade network of Asia and Pacific producers) and CLAC provided leadership training for women who are members of Fairtrade Premium Committees, especially younger women members who do not tend to have a strong voice on these committees but are asked instead to carry out peripheral secondary roles.

### **The Problems and Demands of Producer Organisations in the South**

Though the Fair Trade movement has its origin, advancement and goals; all focused on the advancement of the producing community from the south, the structure of the movement, its regulatory bodies and its constituent parts have not been free from biases against the very producers from the south for which it claims to work. The arrival of the commercial and mainstreaming spree has specially posed challenges before the movement and its stated goals. Thus there has been increasing dissatisfaction cropping up on several issues like the demand for equal representation and say in the board of the FLO, equal voice and weightage to the producers in the decision making processes and curbing the interests and increasing involvement of the commercial companies and giants up and above of that of the producers.

The coordination between various producer organisations and regional networks thus does not remain limited just to an economic level, but also covers the political arena, including that of the discussions of the decision-making processes and over the question of the extent of power exerted in the FLO. These organisational developments raise a pertinent question: Why do the producers feel the need to protect themselves from an endeavour meant for them only and aimed at providing them a beneficial place in the marketplace? At its very inception, the model for Fair Trade Labelling grew out of the appeals by the small-scale producers and



defined these very producers as the main beneficiaries. Fair Trade was devised to support them, not only through the access to the markets, but also to pursue their broader development. Fair Trade Labelling was organised around the basic principles defining a mode of operation in a niche market: minimum guaranteed prices, direct, and long-term business arrangements, and pre-financing (Renard 1999a b). Developing this initiative was not easy, as it required its founders to resist the pressures of corporations that dominated the coffee market and opposed its launch. As Fair Trade certification has expanded to more countries and products, and has included plantation production, small producer organisations have lost their central place in the FLO system. The position of small producer groups has shifted further with FLO's increasingly bureaucratic administration of the producer registry, of the organisational decision-making process, of standard-setting, and of marketing (Renard 2005). Centralisation and professionalisation within FLO had reduced regional producer meetings to a consulting status. It has also led to a reshuffling of personnel in national initiatives in the consumer countries, resulting in the loss of personal contacts. While Fair Trade founders came from backgrounds in social activism in solidarity with the "Third World," some current members of the national initiatives come from very different business-related backgrounds. FLO decisions are now directed more toward commercial considerations ("what the market demands") than social considerations. This is due in part to the desire to make Fair Trade grow as much as possible and in part to the interest that some of the dominant corporations in the agro-food sector are showing in Fair Trade products (Renard 2005). The recent creation of FLO-Cert, the certification body of FLO, has involved an increasing role of certification professionals far removed from FLO's former activist mentality. Consequently, the inspection process for the cooperatives has changed. On the one hand, there are more standards to meet. On the other hand, the parameters used to confirm that the standards are being met are more complex. The certification process has become quite complicated for producer organisations. It has also become a financial burden, as the cooperatives must now pay for the certification that was previously covered by the Fair Trade label license-holders. For some organisations the certification process has become a barrier to entry into the Fair Trade market rather than a guarantee for market access. All these factors have led to disagreements, many very heated, between the small-scale coffee producer organisations and FLO.

Producers complain about the lack of transparency in FLO's structure and its decision-making processes, their own lack of representation, and the absence of communication

channels between the producers and the FLO (Murray et al. 2003: 21; Pérez-Grovas and Cervantes 2002; VanderHoff 2002). Power has generally been observed to be concentrated in the national initiatives of Fairtrade like Max Havelaar, TransFair, Fairtrade Foundation and others. When FLO was formed in 1997, only the national initiatives were the members and the Board of Directors was made up of representatives of six national initiatives with just one producer representative who had only an observer status in the whole structure and functioning of Fair Trade. In 1999, two producer representatives were added, one from Latin America and the other from Africa. In 2001, the FLO Board grew to four producer representatives (two from Latin America, one from Africa and one from Asia) selected in regional meetings and two buyer representatives (one from industry and one from an ATO). Producer organisations seek to return to this original sense of partnership and say that: “FLO cannot have a promising future while the opinion of one of its fundamental parts, the producers, does not have enough influence in its decision-making structure. Nor can it face a promising future while FLO’s vision is not shared and supported by all its actors” (CLAC 2004c). One example of the contentious nature of FLO policies involves the payment of certification costs. Producer organisations did not question the fact that they would have to cover some of the costs of certification, recognising that certification by an independent third-party strengthens the credibility of the label.

## **Conclusion**

The expansion and progress of the Fair Trade movement has led to many issues and challenges for the producing community in the south and also the Fair Trade practitioners who felt that the movement was losing its people-centric fervor and that their representational needs were not being taken care of. Some of the demands of the southern part of the movement have been accommodated while many others are still struggling to find a place in the larger scheme of things in the Fair Trade movement which is still very north-south centric. However, the growing commercialisation and the changing nature of the movement is more driven by the northern part of the movement than its southern limb. It remains an issue which is still debated among the scholars and practitioners of Fair Trade across the world.

This chapter attempted to throw light on Fair Trade through the eyes of the global south and presented a study of the various issues and demands within the Fair Trade movement itself for the incorporation of the voices of the global south.

The next chapter called 'Fair Trade, Social Justice and Poverty Reduction: Evidence from India' would deal with the Indian part of the producer's conditions. It will engage with the realities of Fair Trade through the case studies of four different organisations dealing in Fair Trade. It would primarily deal with the questions of poverty and livelihoods being addressed by Fair Trade in the lives of the producing communities involved with FTOs in India.

## **Chapter 4**

### **Fair Trade, Social Justice and Poverty Reduction: Evidence from India**

#### **Introduction**

The establishment of Fair Trade in India has largely been a product of the efforts by many socially inclined individuals and organisations in search for an umbrella group and platform to bring themselves together. The purpose of coming together was to gain from the combined strength and acquire a distinct recognition and access to markets abroad in order to build a sustainable social-based business.

There is no particular date or year from where Fair Trade and its origin could be traced in India. But there have been efforts from individuals and organisations that were consistently looking for ways and means of building socially oriented businesses and establish its foothold within India with its target mainly being the export market.<sup>42</sup>

Fair Trade has been known for uniting the socially oriented goals of the concerned in the developed world who have sought greater sustainability and justice for the people in the South. It is known as enabling the citizens/consumers with the capacity to make a difference in the lives of the producers through their actions and choices as conscious consumers. Thus, Fair Trade works through the demands of the products among the consumers mainly in the developed countries of the world. In this way it claims to enable the Fair Trade Organisations (FTOs) and others who adopt Fair Trade practices to spread the reach and impacts of their work.

The goals of Fair Trade forming the cornerstone for the adoption of the Fair Trade route in countries far and wide need to be reasserted in order to carry an analysis of the practice in India. Social justice and poverty alleviation have formed the prime concerns of the Fair Trade practitioners and the pioneers of the movement worldwide and the evidences for the same could be found in the stated goals, principles of the Fair Trade and the set standards for the Fair Trade certification.

The Charter of Fair Trade Principles acts as a single international reference point for Fair Trade, adopted by World Fair Trade Organization (WFTO) and Fairtrade International (FLO)

both, the two world level bodies representing the two approaches of Fair Trade in 2009. This charter provides a brief explanation of the Fair Trade principles and the two main routes by which these principles have to be implemented. It also sets out the common vision, definition and core principles of Fair Trade. WFTO adopts such principles through the 10 Principles of Fair Trade and prescribes these principles to its member organisations. Similarly, Fairtrade International or FLO has adopted its own set of criteria or principles for Fair Trade. Thus, Fair Trade products are goods and services that are produced, traded and sold in accordance with these Fair Trade principles demarcated by these two international bodies within Fair Trade world and its governance. These principles are generally verified by reliable, independent guarantee systems, for example the ones operated by FLO (“Fairtrade-Certified”) and WFTO (WFTO Guarantee System).<sup>43</sup>

All Fair Trade products claim to be the creations of the producers and workers committed to Fair Trade principles. However, in the succeeding supply chain, Fair Trade products are traded and marketed through two distinct but complementary channels which also represent the two different routes/kinds of Fair Trade, one espoused by the WFTO largely and based on organisation certification, and the other followed by the FLO and based on product certification. Thus the following two routes are as follows:

- **The Integrated Supply Chain Route:** In this route of Fair Trade, products are imported and or distributed by organisations that have Fair Trade at the core of their mission and activities. These organisations certified by WFTO or given membership by its regional chapters claim to use Fair Trade as a developmental tool to help disadvantaged producers in reducing their poverty and fighting the inequality within the trade in the supply chain route. These organisations combine their marketing skills with awareness-raising and campaigning to work for both Fair Trade producers as well as the Fair Trade movement. The ‘integrated supply-chain route’ is a system in which all the actors across the chain (from producers, to exporter/importers, wholesalers, retailers, etc.), are jointly committed to Fair Trade and fair practices.

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<sup>43</sup>WFTO has an independent system of verification and monitoring called the WFTO Guarantee System. This FTGS guarantees that its members act according to the 10 Fair Trade. This is an improvement over the previous system of WFTO called the Sustainable Fair Trade Management System (SFTMS). WFTO members are thus supposed to act on the whole of the supply chain from producer to sale of products and respect the Fair Trade principles at all these levels.

- **The Product Certification Route:** It acts on the basis of the product certification scheme unlike the organisational certification and membership route of the WFTO and its affiliate organisations. In this route, products following the international standards set by the Fairtrade International (FLO) are certified with Fairtrade label/mark. This mark/label is an indicator that the products have been produced, traded, processed and packaged in accordance with the definite criteria/principles of those international standards. The 'product certification route' guarantees fair production and/or distribution conditions of a specific product.

Both these kinds of certification/ supply chain routes correspond to broadly two different types of goods within the Fair Trade world which are as follows:

**1. Commodity goods:** goods whose origins lie in natural sources. Such goods are generally used by the consumer in their natural state only, e.g. tea, coffee, banana, rice, gold.

**2. Manufactured goods:** goods that undergo processing and alterations before being ready to be used by the consumer. Thus such goods are transformed from their natural commodity state into a finished product. For example, all the handicraft products whose origin lie in any natural commodity and is then altered and designed to form a finished product. For example, a piece of finished jewellery item/ decorative piece is an example a manufactured good. Since each product is unique in its own way in the case of manufactured goods, thus product certification was difficult to apply in this case and hence it follows the integrated supply chain route of the WFTO. Therefore the Fair Trade movement deals with two elements in the process of production in the case of manufactured goods: firstly, the welfare of those involved in the production of the commodity. This process generally does not have a formalized place of work. Secondly, the well-being of those working on the subsequent parts of the production process, often carried out in formalized spaces of work like factories. As commodity and manufactured goods involve different processes of production, so it necessitates separate approaches to deal with both type of products by the Fair Trade movement. Thus there exists different type of Fair Trade certification scheme for these different types of goods as also explained above.

However there is a matter within both the commodity and manufacturing production process which has not been taken care of by the Fair Trade movement yet. The issue is the conditions of workers involved in the transportation of Fair Trade goods. This includes workers such as those working on ships in the transportation of goods to Europe. Again, it also involves those

workers providing the facility of local transportation in the country of production. Though some Fair Trade organisations are keenly trying to address this loophole but, as of now, this is an area where Fair Trade clearly lacks. Thus, by certifying the products produced by a variety of producer groups like those of family farmers or cooperatives or ethically run commercial farms as Fair Trade goods, the Fair Trade Organisations claim to encourage a better and more socially and economically just as well as an environmentally sustainable form of production. Consumers of Fair Trade certified goods are supposed to pay considerably higher retail prices for such goods than for their conventional counterparts. The price difference sometimes goes up to 100 percent for some items like fresh juice and produce (Stecklow and White 2004). Then a part of every Fair Trade purchase is returned to the parent producer organisation in the form of what is called as “social premium” which has to be invested in a community project of local nature and need. Thus, the present-day Fair Trade movement claims to give value to the interests of small-scale producers and the protection of the environment over large-scale agri-business corporations and their interests. However, it does not do so by involving the state or using the state intervention in any manner in the commodity and labour markets but it does so by promoting and bringing more choice to the ethically driven consumers or the general consumers also being targeted from among the many alternative shopping choices made freely available to shoppers by the neoliberal globalization. Thus, the use of the term Fair Trade for the pursuit of social justice through markets is relatively recent, however such practices were also present under some other names and through voluntary charity initiatives as discussed in the second chapter of the thesis on the historical evolution of Fair Trade.

### **Certification Schemes**

Certification has formed an important place within the Fair Trade movement especially since the onset of the labelling era through the mainstreaming of the movement. Thus the new system of selling products through mainstream market channels like retail outlets at a little higher/extra price for the Fairtrade certified products than their other similar counterparts in the shops required a guarantee that the products were really fairly produced. Thus consumers who were ready to pay extra for those goods because of the benefits Fair Trade claimed to make for their producers, needed a guaranteed Fair Trade product. Thus the verification of the truth of these claims was needed by the consumers. This was so unlike the initial days of

Fair Trade when this guarantee came through solidarity and trust when goods were sold in specially Fair Trade dedicated ‘world shops’ and charity shops, and customers had faith in the reputations of these organisations to tell them the truth about how those goods were produced, sourced and traded. Thus as Fair Trade products started to become available through mainstream and commercial shops, something extra was needed to prove that those particular products lived up to the claims they made. Therefore the idea of a Fair Trade certification scheme was born. Here follows a summary of the two main certification schemes.

### **Fairtrade mark/label**

‘Fairtrade mark’ or label is a certification scheme which has adopted the same name as the whole movement but ‘Fairtrade’ is written as a single word. It is a trademark which denotes only this particular certification scheme and products that have been certified. ‘Fair Trade’ written as two words refers to the whole movement, under which exist a number of other certification schemes and approaches also.

Fairtrade certification has been almost completely concerned with commodity goods. However the move to certifying manufactured goods is slowly happening. The first and the only manufactured products to be eligible for Fairtrade certification till date are footballs. It is expected that clothes will become the second product to bear Fairtrade certification.<sup>44</sup> Currently the clothes which carry the Fairtrade mark signify that the cotton used in the making of the cloth is certified as Fairtrade, but not the entire manufacturing process. Thus the Fairtrade mark can be found on a very range of products which number more than 27,000 across the world and include food, drinks, cotton and clothing. There is even Fairtrade marked jewelry made from Fairtrade gold and other precious metals.

Thus there exist three types of products which are Fairtrade marked:

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<sup>44</sup> An important aspect of FLO styled product labeling based Fairtrade is the fixing up of floor price which makes sense if a global market price is present for the commodity in question which is possible only when the products are relatively homogeneous. In contrast with agricultural products, manufactured goods not have a fixed market price because of the uniqueness of the products. Thus, manufactured goods like handicrafts and clothes have not seen FLO based product labelling yet. However, now clothes are slowly making a start after footballs.



First, Single ingredient products like Fairtrade coffee or Fairtrade bananas which bear the Fairtrade Mark mean that 100 percent of the products in the packet or bag of coffee or bananas have met the Fairtrade Standards set against such products.

Second, Multiple ingredient products better known as ‘Composite products’<sup>45</sup> in the Fairtrade terminology and classification of commodity goods. Such products like cookies, ice cream and chocolate bars in which all the ingredients can be sourced as Fairtrade and must be certified as Fairtrade; however there is only a percentage of each Fairtrade ingredient involved in the making of such composite product which must be displayed at the back of the packet of the product. And there is a requirement that at least 20 percent of the ingredients content must be Fairtrade certified.

Third, though most of the Fairtrade products are physically traceable throughout the supply chain, this requirement doesn’t exist for certain commodity goods like cocoa, sugar, fruit juices and tea.

Thus, products bearing the Fairtrade Mark are currently available in more than 120 countries of the world. However, in countries like Belgium, France, the Netherlands and Switzerland, the Fairtrade Mark also includes the words ‘Max Havelaar’ at the bottom.

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<sup>45</sup> For certain products like chocolate bars and ice creams, it is not always feasible that each ingredient should be an imported one from the developing countries. So, for instance certain ingredients like dairy items such as milk, cream and eggs which cannot be transported conveniently over long distances, such option of composite Fairtrade products through Fairtrade sourcing program is possible to be implemented. Thus in such cases the prospects for producers in developing countries to be involved is retained if ingredients which they produce, such as cocoa, coffee, sugar, spices and fruit can be combined with locally sourced ingredients like dairy products. That’s why the Fairtrade system has developed a set of rules for certifying such ‘composite’ products. These composite products can thus be defined as such manufactured products which are composed of more than one ingredient of which at least one comes from Fairtrade certified producers in the South. The Fairtrade rules for such products state that any ingredient for which Fairtrade Standards exist must be sourced from Fairtrade certified producers. They also state that at least 20 percent of the total ingredients must be sourced from Fairtrade certified producers (FLO website).



Image no. 1. The International Fairtrade Certification Mark, Image courtesy: FLO website.

The International Fairtrade Certification Mark which has the graphic symbol of a person with a raised arm represents the optimism associated with producers, linking the daily determination of the people in the developing countries with the aspiration of consumers around the world. The blue colour in the background signifies ‘the blue sky of potential’ which is connected to ‘the green of growth’. This symbol forms the basis the Fairtrade Mark. This Fairtrade Mark was introduced by the Fairtrade International in the year 2002.

### **Functioning of the Certification System with FLO/Product Certification**

FLOCERT is the global certification and verification body responsible for independently certifying Fairtrade products. It was created as an independently governed subsidiary of FLO (Fairtrade International) in 2003. FLOCERT assesses applications for certification of Fairtrade and decides whether or not to award producer groups the certification. The Fairtrade Foundation, an organisation based in London, then grants companies a license to use the Fairtrade mark on these products when sold in the UK. The Fairtrade Foundation has ‘sister’ organisations in many countries around the world, each of which has the authority to award the Fairtrade mark to qualifying products sold in that country. Together, all these organisations which award the Fairtrade mark are part of an umbrella organisation called ‘Fairtrade International’. This umbrella organisation was created in 1997, at which point all the different individual certification processes were aligned to use the same standards for their products.

FLOCERT consists of about “100 employees, more than 100 auditors, and over 3,300 customers across the world, ranging from small producers in developing nations to large global retailers. It is currently operating in 117 countries.” (FLOCERT 2015) FLOCERT has the feat of becoming “the first social certification body in the world to get an ISO 65 accreditation for its Fairtrade certification services” in the year 2007. It was in the year 2015 that FLOCERT received accreditation against ISO17065.<sup>46</sup>

The Fairtrade mark as discussed above is awarded to individual products, rather than organisations, that meet its criteria. Thus, Fairtrade International has a different set of criteria that needs to be met for each type of product. Each set of criteria is very long requiring a substantial amount of research and is time-taking. Therefore Fairtrade accreditation for some products has not been possible to achieve because the criteria for certain products has not yet been decided yet. However the list of products undergoing certification is ever growing with time.

The certification requirements by Fairtrade International or FLO are very long and complex. Presented below is a very brief summary of the types of criteria required to be fulfilled:

- Payment of a set minimum price, below which prices can never fall no matter what happens to global prices for that commodity.
- A provision of additional ‘premium’ payment which is inbuilt in the price. It is up to the producers’/workers’ union /farmers’ co-operative to decide how this premium is spent-it can either be spent on community development projects or improvements to their farms which have a wider social/environmental benefit.
- Workers or farmers should be organised into democratic committees, co-operatives, depending on what is more appropriate for their individual situation.
- Working conditions must be clean and safe, and workers must have access to the appropriate equipment and training necessary for their roles.
- Workers’ rights must be upheld, with written employment documentation given to workers and clear policies and procedures for issues such as holiday pay, sick pay, maternity leave, equal rights for women, etc.
- Protection of the environment. (FLO website)

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<sup>46</sup> It was in the year 2007 that FLOCERT became the first social certification body in the world to obtain an ISO 65 accreditation for its Fairtrade certification services. In 2015, FLOCERT got another accreditation against ISO 17065. ISO 17065 is the international quality norm for the certification bodies and an international standard for ensuring fair and capable certification of products, processes and services. This accreditation covers FLOCERT’s certification activities in all its regional offices. Since 2015, the ISO 17605 accreditation has helped the FLOCERT establish its credentials as a “Social Enterprise” and demonstrates its commitment to social values in doing business.

## **WFTO mark**

The World Fair Trade Organization (WFTO), formerly known as the International Fair Trade Association (IFAT), launched its own mark in 2004. This mark is awarded to the qualifying Fair Trade organisations (FTOs) who again have a set of criteria/principles to adhere to. There lies the key difference between the Fairtrade mark of the FLO awarded to qualifying products and the WFTO mark awarded to qualifying organisations.

WFTO accreditation focuses on the ethos and practices of the organisation as a whole rather than requiring a checklist of activities to have been undertaken by the organisations. Thus the requirement for WFTO organisational certification entails the demonstration by the FTOs that the WFTO's ten Fair Trade principles are at the running spirit behind their business. Currently, WFTO has 359 member organizations, 46 individual associates working in 79 countries. These ten principles are as follows:

(1) Creating opportunities for economically disadvantaged producers; (2) Transparency and accountability; (3) Fair trading practices; (4) Payment of a fair price; (5) Ensuring no child labour and forced labour; (6) Commitment to non-discrimination; (7) Gender equity and freedom of association; (8) Ensuring good working conditions; (9) Providing capacity building; and, (10) Promoting Fair Trade, Respect for the environment (WFTO website)

## **WFTO Certification**

WFTO certification is generally believed to be requiring higher standards in some way than their FLO counterpart/Fairtrade certification, because organisations need to demonstrate that their entire business, and not just an individual product, is built around these principles. This also means that it is seen as having a wider scope and impact than Fairtrade certification because not only are all the organisation's products classified under Fair Trade, but the company will be applying these principles to their dealings with other parties in the supply chain.

Conventionally, the WFTO certification was used by organisations selling manufactured products as they were not eligible for Fairtrade certification. This certification was meant mostly for craft products in the early days of the WFTO mark. However, now organisations selling a variety of products are WFTO-certified. The certification has now broadened to even include some commodity organisations that have double certification (such as Equal

Exchange UK) and Chetna Organic in India<sup>47</sup>. Such organisations carry both product certification for their products and organizational certification for their organization.

Thus, in the case of Equal Exchange UK, food products are Fairtrade certified, and the organisation is WFTO certified. Similarly, in the case of Chetna Organic (which has been covered as a case study for this work, the cotton as a product is Fairtrade certified and the organisation is a member of the Fair Trade Forum-India/FTF-I which gives its organisation a credibility of being Fair Trade). Thus, some organisations opt for double certification, where the individual products are eligible for Fairtrade certification, in order to increase visual awareness of Fair Trade credentials.

The WFTO mark (see image no. 2) is awarded to an organisation and the logo earlier could not be used on their products and so consumers did not realize that there has been independent verification of the product's Fair Trade credentials but since 2013, WFTO has adopted Fair Trade Guarantee System or FTGS under which a product from a guaranteed WFTO member organisation can carry the WFTO label but it signifies the organisational certification. Similarly, certain country and regional networks also promote their own Fair Trade brand to be used on the merchandise of their member organisation upon the payment of certain fees. The Fairtrade mark therefore gives instantly recognisable verification to consumers.



Image no. 2. The WFTO label. Image courtesy: WFTO website.

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<sup>47</sup> Chetna Organic is one of the case studies being undertaken for the purpose of this study.

This above image shows the WFTO label guaranteeing for the WFTO Fair Trade standards having been followed by the Fair Trade Organisation (FTO) whose product bears this WFTO mark. Though it is labelled on the manufactured products by only those FTOs which are a guaranteed member of the WFTO. It acts as a guarantee for the organisation and the processes followed by the organisation in the production of the product. Thus, the WFTO Product Label is more than just a symbol of Fair Trade and it indicates that the practices across the supply chain are tested against the WFTO Fair Trade Standard<sup>48</sup>. Products carrying the WFTO Label are made and traded by the Guaranteed Fair Trade Organisations.

### **The Work and Functioning of the WFTO Certification**

WFTO certification is very different from Fairtrade certification model of FLO. While for the latter, there exists an exhaustive list of specific criteria which they are expected to reach, for the organisations wishing to qualify for the WFTO certification, there aren't given any exact criteria to work towards; instead they're asked much more general questions about the ethos of their organisation and the way they conduct their business.<sup>49</sup> For example, one of the questions is: "What steps have you taken to reduce your costs or improve production management in order to maximize benefits for Fair Trade producers?" WFTO has decided to ask much more general questions to encourage stronger internal accountability, and to allow organisations some flexibility to work around their individual circumstances. Because organisations must show that they are built around the ten Fair Trade principles, the WFTO requires organisations to answer questions about everything they do, rather than asking only about individual product lines. WFTO also requires organisations to undertake activities that raise awareness and educate consumers about Fair Trade - something which Fairtrade certification does not require.

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<sup>48</sup> The WFTO Standard consists of a set of compliance criteria based on the famous 10 Fair Trade Principles and the International Labour Organisation (ILO) conventions. Many of these criteria are mandatory requirements to join WFTO. There are also other non-mandatory requirements, where the WFTO members must show continuous improvement over time. A member is expected to apply the WFTO Standard and implement the requirements in a diligent and transparent manner, and constantly refine their Fair Trade practices. Compliance with this Standard is assessed by various means like the Self -Assessment Report, the Peer Visit and the Monitoring Audit. The Standard is also subject to periodic review.

<sup>49</sup> WFTO has thus a different set of criteria for its certification scheme and guarantee system, thus allowing more flexibility to its constituent member organisations to function according to the regional requirements.

The WFTO is funded mostly through the membership fees paid by the organisations which they certify, with the European office also receiving funding from the EU. The WFTO fees has not been as controversial as the Fairtrade fees charged to producers<sup>50</sup>, both because the fees are lower, and because WFTO has been less well-known and therefore perhaps subject to less scrutiny. In 2013, the WFTO fees for producer groups in Africa was between €400 and €1,600, depending on the size of the organisation, between €350 and €1,550 for producers in Latin America, and between €376 and €1,576 for producers in Asia.

As the charter of Fair Trade Principles (2009:6), says,

The Fair Trade movement shares a vision of a world in which justice and sustainable development are at the heart of trade structures and practices so that everyone, through their work, can maintain a decent and dignified livelihood and develop their full human potential. The Fair Trade movement believes that trade can be a fundamental driver of poverty reduction and greater sustainable development, but only if it is managed for that purpose, with greater equity and transparency than is currently the norm.

Thus, it is clear from this quote that the Fair Trade movement's stated goals are poverty reduction, sustainable development and justice in a world full of unequal terms of trade and trade structures which are negatively biased against the poor producers of the global south.

The Indian experience of Fair Trade has to be told through these very lenses of the stated claims and goals of the Fair Trade practice. Thus the next section of this chapter deals with the Indian experience of Fair Trade told through the case studies done for the purpose of this study.

## **The Indian Experience**

Before embarking on this journey of Indian experience of Fair Trade, it was important to explain in details the two different systems of certification and their functioning within the Fair Trade world, as discussed above in order to be able to make sense of the field study undertaken as part of the Fair Trade study being conducted within India and analysing the evidences for the same within India.

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<sup>50</sup> The Fairtrade certification fees vis-à-vis WFTO certification fees present a little different scheme of payment of certification fees, where WFTO differentiates between small producing organisations with less income and bigger FTOs with higher income thus putting less pressure on the smaller organisations. FLO's certification also varies from the type of organisations and regions but ultimately it comes down to the individual producers who have to pay this in advance to achieve the certification.

The Indian scene on Fair Trade has the two counterparts corresponding to the WFTO and FLO systems of working at the international level. All the FTOs based in India which are organisation certified are part of the India level networking body/organisation, FTF-I or Fair Trade Forum-India. However, their being guaranteed members or not of the WFTO, the parent body of organisational certification model of Fair Trade is subject to them fulfilling certain conditions and adhering to certain fixed standards which would be discussed in details in the upcoming sections of the chapter. The other part of the Fair Trade system in India (that is the product certification version carried out by Fairtrade International or FLO) is carried out by the Fairtrade India, the Indian counterpart of the Fairtrade International.

Though it is not mandatory for the organisations to go for the membership of the FTF-I or the Fairtrade India first before going for their WFTO certification or the FLO certification, it has become almost like an unsaid rule to be members of these countrywide networks, viz., FTF-I and Fairtrade India to achieve through the solidarity and commonness of the other such organisations within India and follow the route of country level membership in the forum and move to the respective parent international body in Fair Trade.<sup>51</sup>

### **Fair Trade Forum-India or FTF-I**

Fair Trade Forum-India (FTF-I) is the national network of Fair Trade in India. It is the national regulatory body of Fair Trade within India working under the parental global body WFTO. It works with multiple producer organisations within India. It is a network of NGOs/ Trusts/ Cooperatives/companies and Individuals as members who share the vision, values and the objectives of FTF-I. FTF-I is a not-for-profit organisation, registered under the Societies Registration Act 1860. FTF-I works to ensure a dignified income and overall development of artisans, farmers and workers in the unorganised sector. Members are mostly engaged in production and marketing activities. Most of the members are engaged in crafts/textiles and

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<sup>51</sup> It might be interesting to point out here that it has only evolved as a convention out of the practice that before an organisation taking up the WFTO membership, it must be a member of the country network representing the WFTO in India, that is the FTF-I. During the researcher's visit to the Annual Convention of the FTF-I in Bhuj in August 2015, it came out in the discussions among the Indian Fair Trade practitioners that though it is not a written rule, it has been followed for a long time. And there was the case of an FTO, a newly formed one which was rejected the membership by the FTF-I on some grounds but got the membership from WFTO-Asia against which the country network FTF-I had filed a written complaint because they didn't find the working credentials of the organisation fair enough to be granted Fair Trade membership or certification. So, they argued that an organisation to get the membership from the continent level or global level body must pass through the membership of its national chapter.



agro-based products. It claims to enable more than two lakh fifty thousand grassroots level Fair Trade producers including artisans and farmers to improve their businesses through greater engagement with Fair Trade, majority of them lying in the rural hinterlands of the country (FTF-I Annual Report 2015). FTF-I represents the WFTO, the global network for Fair Trade, in India and the WFTO-Asia.

As of the year 2017, FTF-I has over 120 members, which includes both organisations and individuals. In total, more than five thousand producer groups are working with the member organisations of the FTF-I.

### *Vision and Mission of FTF-I*

FTF-I envisions to facilitate the empowerment and sustainability of the grassroots artisans and crafts persons through fairness and transparency in trade, alleviating poverty, ignorance and unemployment in India and ushering in human development and social change by advocating and promoting Fair Trade with global accountability. FTF-I claims to have the mission of promoting and strengthening Fair Trade concepts and practices among all stakeholders including producers, intermediary organisations and consumers globally in designing, production, marketing and development with missionary zeal through commercially viable and fairly traded products, goods and services by providing and creating dignified opportunities for artisans and craft persons.

The Fair Trade practice in India has been graduating to new levels especially by including the Indian consumers under its ambit of influence for conscious consumerism. To work with the Indian segment of the consumer market for Fair Trade, FTF-I launched its own brand under the name of Fair Trade India brand under a project supported through the European Commission. This project was called the Pro-sustain Project<sup>52</sup> and supported this initiative of Fair Trade brand of giving a common identity to those shops selling exclusively fairly produced products in India. There are thirty such shops existing in India presently which exclusively sell Fair Trade commodities. The member organisations or FTOs which want to use the Fair Trade India brand and sell them in those Fair Trade India brand shops are required to pay a yearly fees to the FTF-I to avail this facility.

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<sup>52</sup> The project 'Pro-sustain' stands for 'Promoting Fair Trade and Sustainable Consumption in India'. It has helped FTF-I in organising many promotional and market access initiatives for the promotion of the Fair Trade in general and the Fair Trade India brand in particular within India. The project was supported by the European Commission and was a joint effort by the FTF-I, IRFT and Shop for Change.

Thus it is the Fair Trade India brand of the FTF-I under which the FTF-I member organisations are allowed to sell their Fair Trade products to the end customers, retail chains, corporates and institutions within India. FTF-I claims that many India based FTOs are benefitting from the advantages of networking and product sourcing existing among the Fair Trade India Branded Shops. The main purpose behind the creation and promotion of this brand was to reach the domestic Indian market with Fair Trade products.



Image no. 3. The Fair Trade India Brand established by FTF-I. Image courtesy: FTF-I website.

This image no. 3 shows the logo of the Fair Trade India Brand developed, promoted and supported by the FTF-I for the domestic Indian market. Currently this Fair Trade India brand is given only to the shops owned by the Fair Trade producing or marketing organisations who are the members of the FTF-I. At present around 30 such shops are associated with the Fair Trade India brand. Approaching around 60 FTOs in number are currently associated with this brand out of the existing about 100 FTOs in India. FTF-I which owns this brand takes the lead in the promotion of this brand by using all possible platforms on the India-level as well as in the local vicinity of the shops in cooperation with the Fair Trade India Brand Shops.

A small survey was conducted by the FTF-I in the month of October 2013 among the shops to know about their experiences in the pre and post-branding era of their shops. And most of the shops said that an increase of approximately 25 percent in their sales was noticed in the post-branding phase of their shops. (FTF-I website) They saw an increase in the annual sales turnover of Rs. 1 to 2 lakhs for the three financial years -2010-2011, 2011-2012, and 2012-2013.

Arun Raste, former head of the Indian NGO IRFT (International Resources for Fairer Trade)<sup>53</sup> has been quoted in a report by BTC (2010:14) that “If just one percent of the Indian population supported Fair Trade, the potential for its development would be significantly greater than in Europe.” Thus, the potential for the development of the local market for the Fair Trade goods in India runs high among the practitioners of Fair Trade and the realisation of the limitations of putting the onus for the selling of the products from the certified producer organisations or FTOs only in the northern markets is also visible.

Then the fact that Fair Trade as it is being implemented currently in the North and the South runs an extremely expensive certification system and getting the Fairtrade certification done again does not guarantee an automatic market access to the certified producer group or organisation entails the need for getting an alternative created with less reliance on the North. Thus as remarked by some Fair Trade practitioners and leaders that some of their Fairtrade organic products had to wait for as long as eight months before finding the right outlets because of issues like pricing and the right values for their products. Thus in such situations, there are two choices left with the Fair Trade practitioners of the Global South: firstly, to open up their international certification in a more liberal manner for the organisations of the South and secondly, to create a local label or certification for the regional/local markets. (BTC 2010:18)

The latter solution has proved to be an extremely commonly adopted by the Fair Trade networks and organisations in the South, India being a frontrunner in opting to do so. Thus required steps in this direction has been seeing the materialisation in the last few years. Thus, the initiative by the International Resources for Fairer Trade (IRFT) in India to create India based labels began. IRFT always wanted to see the creation of Fair Trade labels and standards particularly meant for and aimed at targeting the Indian market. Thus, in its efforts, it launched a project called PROFIT “Promoting Fair Trade in India” in the year 2006 which promoted the concept of Fair Trade within the Indian consumers and policy-makers by developing rules and criteria for Fair Trade adapted to the local context as well as a certification and follow-up system meant for the Indian scene. PROFIT’s main goal has been

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<sup>53</sup> IRFT is a member of the FTF-I and was created in the year 1995 under the Bombay Public Trust to facilitate FTO by giving its services towards promoting Fair Trade in India by involving both the ends of the supply chain in its services. It strategizes its action in way so as to increase the value and worth and access of Fair Trade among the Indian citizen consumers on the one side and by providing access to more and more artisans and farmers and producers by bringing them under the Fair trade ambit in India. Some of its projects and initiatives have proved beneficial in developing Fair Trade for the Indian market.

to support small marginalised producers in getting access to the market within the framework of fairer production.

### **Shop for Change: The Indian Fair Trade label**

Set up in the year 2009, ‘Shop for Change’ has the credit of being India’s first Fair Trade label. It works with the farmers and artisans by linking them directly with the mainstream markets, by cutting through the long chain of intermediaries. Shop for Change is a Not for Profit Company set up by the International Resources for Fairer Trade (IRFT), an Indian initiative on Fair Trade by the IRFT (as explained above) and Traidcraft Exchange<sup>54</sup> from the UK to find some path-breaking and pioneering way forward for the problems faced by the poor farmers and artisans in India. Shop for Change used certification/labelling in order to do capacity-building exercise for the producer groups involved with Fair Trade across India. It worked along with the IRFT to improve the condition of poor producing communities and provide them an access to the value-added markets by following the various Fair Trade principles like protecting the environment, promoting social equity and raising the awareness of Fair Trade among the Indian consumers. Thus, Shop for Change works through four different kinds of roles like providing certification, business services, producer services and awareness raising. Thus, it works on both the ends of the supply chain. Now, “Shop for Change”, as the Indian label has been developed with the help of IRFT and other Fair Trade supporter organisations.

Thus, for the purpose of creating a label like ‘Shop for Change’ in the Indian market, certain standards-setting, certification and monitoring system along with designing a marketing campaign, developing the capacity of small producers and creation of a distribution network were to be accomplished first. The standard setting was to be done based on the international standards for Fair Trade certification but adapting it to the Indian conditions and needs. Thus, comes the reference of the non-negotiable standards/ principle of Fair Trade which is an Indian addition to the Fair Trade principle for its own market and convenience.<sup>55</sup> Thus the

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<sup>54</sup> Traidcraft Exchange in UK is an NGO and a reputed Fair Trade Organisation of international stature and it helps in the dissemination of ideas related to Fair Trade. It helps in getting funding for increasing the Fair Trade outreach across the world.

<sup>55</sup> The division of Fair Trade principles into negotiable and non-negotiable principles is an Indian adaptation of WFTO styled Organisation certification model based on the ten principles approach. It has not been part of any WFTO document available and was first talked about in details by the FTF-I President in an interview conducted by the researcher in February, 2015. Later, one of the Annual Reports of the Fair Trade Form-India published in the year 2015 for the year 2014-15 also mentioned about the negotiable and non-negotiable principles of the Fair Trade hence classified. The non-negotiable principles of Fair Trade are those principles among the ten principles set by the WFTO, which cannot be compromised upon while implementing Fair Trade

initiative ‘Shop for Change’ needed a plan to accept producers certified by WFTO or FLO and discussions went on between the practitioners of Fair Trade to maintain the right balance and distance between these international labels like FLO and WFTO certified organisations and products and the Indian label. It was opined by the Indian Fair Trade practitioners that they needed to learn from the mistakes made by the International Fair Trade labelling organisations by keeping their costs low and getting the required expertise. Thus they decided not to follow the FLO or the European model of Fair Trade but rather aimed at being a third-party certification body for FLO.

By 2008 thus “Shop for Change” had already established the social and environmental standards to be able to provide certification to farmers thus establishing some generic standards for Agricultural Supply Chains. The label was created with the particular requirements of the local producers and markets being taken into consideration.



*‘Ensuring better livelihoods for farmers and artisans’*

Image no. 4. The “Shop for Change” Fair Trade label meant for the Indian domestic market. Image courtesy: Shop for Change website.

However, the standards issued by the “Shop for Change” include some points of concern especially those with respect to the salaries of the producers. The Indian label requires at least “a minimum legal salary” and in India, this does not provide a decent standard of living but a mere survival and thus the whole idea of fairness is put to question and thus if this criterion is not revised over the next few years, some Indian workers could live in perpetual poverty. This measure would mean a considerable departure from Fair Trade standards in India.

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practices by an organisation. Thus, principles like transparency and accountability, strengthening of producer capacities and better working conditions have been identified as non-negotiating principles by the FTF-I (Annual Report FTF-I 2014-15).

## **Fairtrade India**

It is the country based representative of FLO-styled product certified Fairtrade in India. Working on the same principles as espoused by the Fairtrade International, it acts as the immediate face of the Fairtrade groups in India. It claims to work with more than 1, 21,400 farmers and workers in India who are associated with 72 Fairtrade certified organisations which are active in India. It claims that approximately Rs. 19.40 crore/ 2.40 Euros is reported to be the amount of Fairtrade social premium received by producer organisations in India in the year 2011/2012. It markets and promotes Fairtrade, being a Fairtrade marketing organisation, similar to the national Fairtrade organisations<sup>56</sup>, but it is the parent international body, Fairtrade International which licenses the Fairtrade Mark in these countries. Thus Fairtrade India is one of the few Fairtrade marketing organisations situated in the developing world and trying to sell the Fairtrade products through their networks to their own people thus moving beyond the north-south trade model on which the Fair Trade was based. Similar Fairtrade Marketing Organisations have also been established in countries where a thriving middle class exists, e.g. countries like Brazil, South Africa and Kenya. It aims to build on the success of the export market in key products, including coffee, tea, rice, spices and cotton and directly reach the growing ethical consumer market in India.

The Fairtrade Mark which saw its launch in India in November, 2013 is an independent consumer label which is present on products as a guarantee for their having been certified against the set Fairtrade Standards. This mark indicates that the product has been certified because it gives a better deal to producers involved in its production. With the launch of Fairtrade Mark for the Indian market in 2013 by the Fairtrade India, the country based representative of the product labelling version of Fairtrade, it now joins the global family of Fair Trade Organisations which focus on and aim at selling Indian-produced products to the Indian consumers.

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<sup>56</sup> Unlike Fairtrade marketing organisations, National Fairtrade organisations have the right to and hence license the Fairtrade Certification Mark on products and promote Fairtrade in their territory. Most of these organisations are actually the founding members which helped in establishing Fairtrade International in the year 1997. Some of the examples being, Fairtrade Italia (Italy), The Fairtrade Foundation (UK), Fairtrade America (USA)

## **Social Justice and Poverty Alleviation in the Context of Fair Trade**

Fair Trade has been formulated in different ways and has been referred as a developmental tool, a social movement, a participative endeavour, an ethical consumption and a tool of neoliberalism. However, there lies a fundamental paradox behind the existence and functioning of Fair Trade. This paradox has its origins in the inconsistency that lies in its efforts to achieve social justice and alter the unjust terms of trade (that put small-scale farmers and workers worldwide at risk) by using the apparatuses of the very markets which have been the cause of those injustices. In other words, Fair Trade is a fusion practice. It exists as a social movement and as an alternative market structure simultaneously. Creating direct environmentally responsible, socially just and long term trade relations for the producing community of the developed south remains the central goals of the Fair Trade movement. Creating socially just and poverty alleviated communities have been the goals of Fair Trade. In India, like elsewhere, the networking bodies and the nationally represented organisations of Fair Trade, both Fair Trade Forum-India and Fair trade India have been the frontrunners of the cause. However, in India like elsewhere, with the complex set of institutional structures (regulatory, policy-making and labelling regimes) emerging, it is becoming really cumbersome with each passing year of its development and it appears to create a lot of confusion in the minds of the buyers because for them Fair Trade is just Fair Trade, a form of trade which claims to offer products which are fairly produced (keeping in mind the fairness in wages, gender equality, transparency, long-term-partnerships, environmental concerns etc.) The baseline criteria are that the entire supply chain for a product should be fair and traceable apart from the various conditions of the production process of the product being met. However in reality, like most of the movements/ practices, in the real practice/ application of the Fair Trade principles, there are degrees of deviance and digression. However, the point of contention/ inquiry is not as much into the question of how and why and to what extent the digression is tolerable but as to the question whether the Fair Trade movement in itself is creating space for certain dilutions within the system of Fair Trade. In fact there are two forces acting together within Fair Trade. One which is generating rules and mechanisms to ensure strict adherence to the Fair Trade principles and the other

which is focused on the increase in the volume/market share of Fair Trade and thus favours different models or forms within the Fair Trade.<sup>57</sup>

Fair Trade as a practice, a notional agent for bringing change in the lives of the poor producers in the developing countries is not a uniform practice across countries and regions and even within a country. The evolution of the Fair Trade practice and the various modes of its operation within India has to be discovered through the various kinds of supply chain routes it takes.

Fair Trade in India can at best be called to be a force uniting similar working organisations in India that have been working for the people at the grassroots level following at least a few of the ten principles (and not necessarily all) of Fair Trade decided by the world governing bodies in Fair Trade like WFTO and FLO. The Fair Trade Forum-India and Fairtrade India are the two India level bodies/organisations which act as the networking organisations for the various Fair Trade Organisations dealing with handicraft/ textiles goods and the agricultural commodities respectively. Their roles and powers vis-à-vis the Fair Trade implementation and regulation of the organisations working within India have evolved over the years in a very interesting yet complex setup of scenario where there is no unanimous and common interest between both these national level representatives of the Fair Trade.

When the groundwork for this research on Fair Trade in India was being laid, the initial observations by the researcher regarding the role of the international bodies like WFTO and the national level representatives like FTF-I based on the secondary readings and preliminary round of interactions within the Fair Trade were not quite clear given that the practitioners themselves appeared to be not quite sure of the exact nature of the role.

The lack of clarity on their take on the role of state, the neo-liberal forces is very noticeable. There is no doubt on the intentions, but the mechanism or the path to achieving the desired goals is not clear enough. Fair Trade as a consumer-driven social movement or a development tool actually differs from a political-economic understanding of what

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<sup>57</sup>The two kind of forces working within the Fair Trade also belong to the two types of Fair Trading system discussed earlier, namely, the ATO based organisation certification model of Fair Trade and the FLO based product labelling/certification model of Fairtrade. While the former is focused more on the trust based direct trading relations, the earlier version of Fair Trade, the latter is more focused on increasing outreach and increase in sales and output. However, with the evolution of the Fair Trade in recent times even the ATO based organisational certification model is adapting to the imminent changes and moving towards a certification model which is bringing it closer to the product labelling model of Fairtrade International or FLO.



constitutes Fair Trade in the general sense.<sup>58</sup> And the Fair Trade Organisations and its practitioners and advocates have been observed to have a specially pronounced understanding of how economic justice should be advanced through their work and their support and help for the cause of social and economic justice. However, their understanding and discourse around their vision of Fair Trade does not actually bring out new ways of discerning such issues for the welfare and upliftment of producers' communities, nor do they actually talk about bringing any changes at the structural level in reality. Rather, they promote certain superficial ways of supposedly bringing succour to the deprived producers in the form of just bandaging their problems rather than devising some mechanism in order to bring them out from the trap of poverty and social and economic injustice in which they have been living. The Fair Trade industry is in fact completely relying on the consumer centric and consumer formed impression of having been able to relieve the poor producers from their poor conditions. However, the sustainability of their actual efforts and its impact are hardly a question that is asked and addressed by the movement's promoters who build the narrative on just sourcing the products from the poor producers who get some extra money and incentives for their association with the given FTO. How sustainable and how far reaching is their effort for the producers, is a dubious field for the Fair Trade movement and practitioners to answer.

For instance when asked from the staff members of the various Fair Trade Organizations (FTOs) about how they defined "economic justice," a phrase which was very commonly cited as one of the missions by the organisations, many stated about the factors which in general are required to achieve economic justice. They pointed towards the role of capacity-building programs and the importance of education in achieving the economic justice sustainably. While these people pointed out the 'unequal distribution of wealth' globally and within India also but they did not deliberate about the accountability of the governments/state or the international financial institutions in governing the scene of economic justice in the lives of the poor producers in a country like India. Their view about poverty and economic justice thus remained very superficially driven, which points towards the lack of knowledge regarding the larger debates of fairness in trade and the history of the movement of Fair Trade. And this absence/lacking stands in a stark contrast to the huge emphasis on the individual consumers as having the responsibility within the Fair Trade discourse.

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<sup>58</sup> The demand for Fair Trade and the meaning and scope of Fair Trade is much wider topic than just the "Fair Trade" practice and the movement which is the focus of this study. As described in the previous chapters, this Fair Trade movement has actually evolved from the larger demands of "Fair/equitable Trade" from the developing countries and their governments for a very long time.

This also points towards the ‘de-politicization’ of the mindset governing the Fair Trade practice and issues which have effects for the development regime at the global level. Thus it can be described that it is a failure of the movement to meet the very educational goals which have been described in the Fair Trade Federation’s (FTF) principles, which says:

Fair Trade encourages an understanding by all participants of their role in world trade. Members actively raise awareness about Fair Trade and the possibility of greater justice in the global economic system.” (Fair Trade Federation website)

Thus understanding of their role in the international trading system by the FTOs and their practitioners is very important. Without this deeper understanding and reflection, this systematic international denial by the trading regime will keep wreaking havoc on the already susceptible livelihoods around the world and needs to be redressed through some deeper intervention than just a little more price paid for the morning coffee by the consumers. Thus the debate on the de-politicization of a very important issue through its subsuming by the focus on the consumers as activists and doers rather than the real structural change demanded from that of the governments has made Fair Trade getting disconnected from the larger questions of fairness in Trade. As already discussed in the previous sections, Fair Trade has moved on to be close to the neoliberal onslaught, and it banks on the subjectivities of the Northern consumers (now also building support base among the well-off in the South) motivated by the generalized understanding of poverty to induce action through putting the onus on conscious consumerism. However, by taking actions through politicizing and historicizing the poverty experienced by the Southern producers, it has the possibility of invoking the responsibility for change at the various levels but it also demands forms of social action in ways other than just through the route of the market.

So, during the field work done for the purpose of this work, most of the respondents from the FTOs held positive opinion about the role of the big corporations in the arena of Fair Trade.<sup>59</sup> The deep lack of ideological clarity about the larger development issues and also of the origins of the Fair Trade movement in general amounts to the organisations and their representatives talking exclusively on the issues of addressing poverty, inequality and

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<sup>59</sup> Thus interview with office holders of 20 FTOs was conducted as part of this study and their views were taken upon issues related to Fair Trade and its politico-economic relevance. It was done with the help of questionnaire based interview and in this part, questions related to their views on Big Business Corporations was asked which was answered in positive by most of the FTOs. It has been dealt in details in the next chapter called the “Fair Trade in India: An Examination of the Politico-economic Linkages” of the thesis.

injustice without actually relating it to the ideological or politico-economic strings attached to the very system.

Fair Trade in India is thus a common platform for many organisations acting on similar principles of equity, justice and sustainability to come together and learn from each other. It is also a way to give them access to the international markets with a sense of consumers being guaranteed about the fairness of the organisation or the processes which led to the formation of the products they were buying but does little to alleviate poverty and bring about justice.

The contentions this study is making through the examination of the practice of Fair Trade has to be substantiated through evidences from India. This part of the study which involves the arguments and perspectives linking Fair Trade with its stated goals needs to be validated through appropriate evidences from the field within India. Since this study aspires to lay bare the evidences of Fair Trade and its workings in India, the case studies taken up for the purpose needed to be situated in geographically and economically diverse regions in order to do justice with the research. Thus the organisations and the producing communities were chosen in a manner so as to represent the various aspects of the Indian politico-economic conditions and those running behind the local livelihood scenario and their linkages with and repercussions while working with the idea of Fair Trade.<sup>60</sup>

Thus four different organisations dealing in Fair Trade from four different regions within India were taken up for the purpose of this research. The geographical span of these organisations covers states of Bihar, Jharkhand, Kerala and Telangana and National Capital Region (NCR) Delhi. The field work consisted of visits to the producing community of these organisations and interactions with the producers and the office staff and Managing Directors/ Key representative officials of these organisations working with Fair Trade.

To do justice with both the arms of the Fair Trade practice, i.e. the organisation certification and product certification models of Fair Trade represented by WFTO and FLO respectively; the organisations have been chosen in such a fashion that two of them represent the former

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<sup>60</sup> Given the large number of Fair Trade Organisations and producing communities existing within India, it was not an easy task to choose from among this large number and variety of Fair Trade organisations for the purpose of this study. Also, it was difficult to choose from among the wide ranging products on offer in the Fair Trade sector within India. It was decided that it would be better to go for the textile products dealing in handlooms for the manufacturing goods part/WFTO led Fair Trade model. While for the Fairtrade product certified part of it, the two organisations were chosen in a manner so as to represent the diversity in products and region both.

and two the latter. Thus, the four organisations chosen are Chetna Organic in Telangana, Fair Trade Alliance Kerala in Kerala (both these organisations belonging to the product certification route in Fair Trade), Eco Tasar (with its producing community in Bihar, Jharkhand and Noida, NCR) and Kara Weaves in Kerala (both of these organisations belonging to the organisational membership stream of Fair Trade).

## **Chetna Organic**

This section unfolds into the study of Chetna Organic, an agriculture producer company<sup>61</sup> which claims to be a farmer owned finance and market linkage commodity-trading company working on developing sustainable market linkages for small-scale farmers and their produce in national and international markets.

Chetna Organic Agriculture Producer Company Ltd (COAPCL) (Chetna Organic in short) claims to be supporting more than 35,000 cotton farmers in more than 400 villages in the states of Andhra Pradesh, Telangana, Maharashtra and Odisha as of 2014. It claims that 94 percent of its farmers are small-scale farmers with their complete dependence on rain-fed agriculture which makes them extremely susceptible to the volatility of the climatic conditions.

The emphasis at Chetna Organic has been on farmer empowerment and promotion of entrepreneurship amongst the community and hence these farmers have been federated into several district level co-operatives (which are composed of Self Help Groups/SHGs as constitutive units working under these co-operatives). These co-operatives are very well-organised and powerful entities in the structure of Chetna Organic and known for undertaking all local level initiatives of their member farmers such as capacity building through Chetna Organic support by creating local government linkages and establishing of community owned infrastructure etc.

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<sup>61</sup> Chetna Organic works closely with many Fair Trade Organizations at the international level such as Solidaridad (Netherlands), Made-By (Netherlands and UK), Max Havelaar, Fair Trade Foundation, Fair Trade USA to name a few and on the domestic front with the Indian level Fair Trade label 'Shop For Change' and with the support of its donors like Solidaridad, ICCO and Rabo Bank and the Ford Foundation, it works towards promoting markets for organic and Fair Trade cotton garments in the developed countries. It also develops partnerships based on supply chains in order to address the market demands. It helps in promoting organic and Fair Trade farm systems in India. (Chetna Organic website)

Established in 2004, Chetna Organic aims at helping the farmers in increasing their profits and make their existing farming systems sustainable. Chetna Organic Agriculture Producer Company Ltd (COAPCL) is a part of Project Chetna, a development initiative aimed at the betterment of the lives of the small-scale and marginalized cotton farmers in the different parts of cotton-growing belt in India which are rain-fed. As stated by one of the office-holders of Chetna Organic,

For me Fairtrade is an attempt of offering better trading conditions thereby securing the rights of marginalized producers and workers. It helps the entire business chain to understand the importance of ethical responsibility in the core business setup in order to preserve principle of equality at all the levels of business. (Mrunal Lahankar, Chetna Organic Certification Manager as cited on the website of Chetna Organic)

The Chetna Organic and its Fair Trade Cotton Intervention Program (OCIP) was started in the year 2004. It began as an ethical supply chain initiative founded on the principles of sustainable agriculture with promoting the organic and Fairtrade farming and based its system on non-pesticide management. This program called OCIP was established with the aim of betterment of the livelihood options for cotton farmers in the Indian states of Andhra Pradesh (now Telangana also), Maharashtra and Odisha. Chetna Organic has produced two national level farmer owned and managed institutions called Chetna Organic Agriculture Producer Company Ltd (COAPCL) and Chetna Organic Farmers Association (COFA) respectively.

COFA is a not-for-profit farmer support organisation engaged, among other things, in technical training, social improvement, capacity building, and policy and advocacy work. COAPCL, on the other hand, is a commodity trading company, established in 2009, that works on developing sustainable national and international market linkages for smallholder farmers' agricultural products.

Since the year 2014, Chetna Organic has seen an increase in its outreach of support to 15,279 (from its beginnings with 234 farmers in 2004) cotton farming families. These farming families have been organised into several SHGs (979 in number). These SHGs are organised further into 13 co-operatives each. Almost all of these farmers are smallholder farmers owning even less than 2 hectares of land. These farmers live in miserable conditions in more than 400 villages across the cotton producing belt which is very much known for the high suicide rates. Their dependence on rain-fed agriculture increases their vulnerability. Suicides have been a big challenge amongst these farming communities in the regions of Andhra

Pradesh and the Vidarbha region of Maharashtra. Chetna Organic claims to have tried to fight this problem of suicides with its intervention programmes.

Chetna Organic Agriculture Producer Company Ltd (COAPCL) was Fairtrade certified in 2005. Out of the 15,279 farming families supported by Chetna Organic, the number of Fairtrade certified farms is 9,647. Chetna Organic farmers produce about 6,300 tonnes of Fairtrade and organic seed cotton. They claim to follow the non-use of child labour, the non-use of synthetic fertilizers and pesticides and GMOs. The certified cotton, which represents approximately 34 percent of the total cotton production, is grown on 48,130 acres of land and entirely sold locally. Chetna also produces organic certified non-cotton crops such as pulses (red gram, black gram, Bengal gram and green gram), soya bean, rice, vegetables, non-timber forest produce (such as honey, spices etc).

They claim that their Fairtrade sales have been growing continuously. Especially, the value of organic seed cotton sales saw a good growth from rupees 3.5 Crores in 2010 to rupees 9.45 Crores in 2011. For these sales, Chetna Organic receives the Fairtrade Minimum Price of INR 34.45/Kg (or the market price if higher) plus the Fairtrade Premium of INR 3.00/Kg to invest in productivity and quality improvements, business support, and various community interventions in the three regions. Since Chetna Organic is a farmer owned organisation, it claims that its farmers have a direct role in decision making during production and marketing processes, as well as during the distribution and allocation of the premium.

### **Cotton as a Fair Trade Commodity**

Cotton is grown on around 35 million hectares of land worldwide. The main cotton producing countries of the world are China, India, Pakistan and the US. Cotton farmers in the developing countries, even the foremost producers like India and China, live in very deplorable conditions. It engages around 100 million households, (90 percent of which are situated in the developing countries) directly in cotton production in around 75 countries of the world. Also, an estimated 350 million people are engaged indirectly working in the cotton sector where family labour, farm labour and workers in ancillary services such as transportation, ginning, baling and storage are taken into account. Cotton production formed around \$ 51.4 billion business in the year 2013-2014.

The problems faced by the farmers involved in the production of cotton are many, ranging from the onslaught of issues originating from climate change, the poor prices received by them for their cotton seeds, competition faced by them from the greatly subsidised producers of the countries in the north and poor terms of trade against them. However, it is the subsidies for cotton farmers in the north given by their governments especially that of the US government, which ends up creating a market with hugely low prices so much so that small-scale farmers from the developing countries are not able to compete with their counterparts in the developed countries. The issue of child labour and genetically modified GM cotton has also been seriously affecting the Cotton sector. In India, more than 4 lakh child labourers have been reported to be working for 9-12 hours a day in the cotton sector and suffering from issues related to health. An estimated 1 lakh children in Andhra Pradesh, India, work 13-hour a day in cotton fields as bonded labour, paying off loans taken up by their parents.

### **Fairtrade Cotton**

Fairtrade<sup>62</sup> cotton was launched with the aim of bringing the focus on those farmers who have often been left in obscurity and neglect and continue to remain in poor conditions at the end of the long and complex supply chain of cotton. Fairtrade seeks to provide these small-scale farmers with an alternate way of trading and thereby getting them better and stable incomes through instruments such as the minimum price guaranteed under the Fairtrade system and an additional Fairtrade Premium and setting up of democratic organisations for the empowerment of these farmers/producers. Thus, Fairtrade cotton farmers benefit from the Fairtrade minimum price which aims to cover the cost of sustainable production and provides farmers with a safety net against sudden drops in market prices. The Fairtrade Premium, which is paid on top of the selling price, provides additional income that the farmers democratically decide to invest in their businesses, families and communities.

Fairtrade cotton was launched in the year 2005 to provide protection to the cotton producers against the volatile and unreliable conventional markets. Under the Fairtrade system, the producer organisations are audited against the set Fairtrade standards. These standards provide a framework for a sustainable approach to production that can have long-term

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<sup>62</sup> Cotton is an agricultural commodity which has a set of standards judged against which cotton from a producer group/community/ organisation is Fairtrade product labelled/certified.

economic, social and environmental benefits for both the farmers and their larger communities.

Beyond these financial benefits, requirements in the Fairtrade Standards protect farmers' health and safety, promote efficient water usage, and ban dangerous chemicals and genetically modified cotton seeds. A large percentage of Fairtrade Cotton is also organic certified. About 65 percent of the Fairtrade certified cotton is also organically certified worldwide. However, Fairtrade encourages and empowers cotton farmers to protect the natural environment as an integral part of their farm management as part of its set standards to be followed.

Thus, Fairtrade helps the farmers in many ways. Firstly, Fairtrade minimum price protects against the volatility of the market prices. Secondly, the Fairtrade Premium is used for strategic investments by the farmers in products for agricultural use like fertilisers, pesticides, fuel, yield and quality. Thirdly, Fairtrade Premium is used for Community investments in essential infrastructures like healthcare, education and clean water. In addition, Fairtrade also facilitates access to export markets. It also supports in building up of strong, entrepreneurial and representative farmer organisations as well as provides access to training and capacity building and environmentally friendly and long-term sustainable practices.

Currently there exist a total of 26 Fairtrade certified producer organisations for seed cotton across the nine countries of Benin, Brazil, Burkina Faso, Egypt, India, Kyrgyzstan, Mali, Nicaragua and Senegal. These producer organisations consist of roughly 60,000 smallholder farmers involved in the cotton sector. (Fairtrade Monitoring and Impact Report 2015) Out of these farmers, 65 percent of Fairtrade cotton farmers simultaneously hold organic certification as well.

### *Poverty and Livelihood Questions*

The majority of the Chetna farmers being the small scale farmers with small landholdings and little or no support in terms of the extension services or any other support from the government reaching them directly, they have been at the mercy of the local traders and moneylenders for their immediate help of any nature. Thus falling in the trap of money lenders even for small finances and small needs of agricultural sector is a common feature of the farmers of this area. This uncertainty and the ensuing economic crisis has meant that the farmers have not been able to wait for long in order to sell their cotton to get the benefits of



higher prices in the market. Thus in order to fix this issue, Chetna Organic has diverted a part of the Fairtrade Premium supposed to be paid to them into rotating funds at the level of the co-operatives formed by the farmers. This helps in making instant payments to the farmers at least partially in order to let them be able to procure their cotton and prevent it from being sold when it is less profitable. The Fairtrade Premium has also been invested in a series of infrastructure projects intended to create viable income generating opportunities such as dhal mills, a bio-fertilizer unit and a nursery.

Moreover, they have also been taken advantage of by the various intermediaries within the supply chain of a finished product which reaches the market and sells at a much high price and the lowest paid among the stakeholders is the poor farmer producing the cotton. Then the problems incurring due to the GM cotton seeds have been a serious risk for farmers and their long term prosperity. This cotton belt targeted by Chetna was hard-hit by suicides due to the problems invited by the GM seeds.<sup>63</sup>

Besides, the problems related to the post-production stage of cotton also form an important part of the daily problems faced by the farmers of the region. Thus, comes the problem of the storage of cotton produced by the farmers. A majority of Chetna's farmers used to store the cotton they produce in their homes, where it presents a health and safety hazard for the household, as it attracts various insects and fungi and poses a severe fire risk. Also, because of the economic distress and uncertainty, small farmers are often unable to wait to sell their cotton at the right time of the year that is when the prices and, hence the profits received by the farmers are higher and better.

For Chetna organic, the fieldwork was conducted in the Adilabad district and the Asifabad subdivision as well as Utnoor. These two areas are both tribal dominant and very underdeveloped parts where the tribals are primarily involved in farming as their main source of income. This area was also hard-hit by suicides being the cotton belt and a region where GM cotton had been introduced and had led to a slow deterioration of their fields and increase in debt for the farmers.

The visit consisted of visitation and informal conversation with the small scale tribal 'gond' farmers working in the self-help groups in these villages. Meeting with two such self-help

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<sup>63</sup> The GM cotton seeds have been known to invite excessive use of chemical pesticides and insecticides as well as increase the cost of farming and decrease the soil yield in a few years considerable only after the initial high yields and seemingly high profits thus pushing the farmers into severe debt traps and instability in the long run and has seen some of the most horrible mass suicide tragedies in India.

groups each consisting of about 15 farmers was conducted in each village. Thus the farmers mostly illiterate or semi-literate were tribal gonds living in the most underdeveloped parts of India. In fact, the regions covered as part of the field work were so backward infrastructurally that they did not have pucca roads or pucca houses.<sup>64</sup>

### *Mowad Village, Asifabad*

Mowad has been classified by the Indian Census 2011 as a medium size village located in Asifabad district of Telangana with a total of 126 families residing in it and has a total population of around 550 people of which about 280 are females and 270 are males. The official census data puts the literacy rate as 52.98 percent and the total working population at 329 and all of them described their work as their main occupation or employment thus earning more than 6 months from their work. Out of these 129 were classified as cultivators themselves while 190 were agricultural labourers.

It was a hot sultry day in April in the year 2015 in the tribal hinterlands of Telangana in one of the most economically backward regions of India. The first stop of the field called village Mowad was an important site for the field given its almost completely tribal (Gond)<sup>65</sup> inhabited population and the deep running poverty visible at the very outset from the first glance at the village.<sup>66</sup> The villagers were up for some tribal festival and almost all of them had gone to the common worship area of the village to offer their prayers for their deity. Upon their return, began the interaction with a group of about 13-14 farmers who all belonged to a SHG of the Chetna Organic called Jai Hanuman group. There existed about three such SHGs in the village with members varying between 10-20 members and in total consisted of 52 in number associated with Chetna Organic's organic and Fair Trade practices.

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<sup>64</sup> The field trip to Chetna Organic was made in the month of April in 2015. It consisted of the visit to its Hyderabad office and interview with the staff of Chetna. It also led to the visiting to the farmers in the hinterlands of two villages in (Mowad in Asifabad subdivision) Adilabad district and Utnoor region in Telangana. The field work was led by the regional coordinators of Chetna Organic who assisted me directly to the far-flung village of Mowad which was approximately 40 kilometers from Asifabad, the nearest town which was the base.

<sup>65</sup> Gonds are one of the major tribal populations in India, spread across the states of Madhya Pradesh, Andhra Pradesh, Telangana, Maharashtra and parts of Uttar Pradesh and Bihar also. Most of them speak Gondi, as in the case of the area visited in Telangana where they are given a scheduled tribe status. For the purpose of the field work, the local field coordinators of Chetna acted as the translators while talking to these farmers.

<sup>66</sup> The villages covered as part of the field work of Chetna Organic have had visible manifestations of underdevelopment and poverty in terms of lack of good, pucca roads, proper housing spaces or health and education facilities available in the villages. Also, the low literacy levels and the social profile of the farmers pointed towards this glaring fact.

Out of these 52 farmers, 10 women farmers were associated with Chetna's Fair Trade program.

The second day of the field consisted of having met another set of farmers, some belonging to the Jai Ram group and some to the Jai Durga group. In total, the interaction consisted of meeting about 32 farmers from the Mowad village.



Image no. 5. The image shows the researcher sitting in the neighbourhood of the Mowad village under a shade and outside the only pucca house of the village Mowad. She is seen interacting with the tribal (Gond) farmers of the Chetna Organic. Date: 27<sup>th</sup> April, 2015. Image courtesy: Mr. Ambadash, one of the staff members and field coordinators of Chetna Organic in the region.

The primary set of inquiry by the researcher consisted of questions related to and regarding the matters like first, the reasons for getting associated with Chetna Organic; secondly, their number of years of association with Chetna Organic; thirdly, their own understanding of Fair Trade; fourthly, the benefits accrued from the association with Chetna Organic according to

the farmers; fifthly, the kind of improvement that was witnessed in their life monetarily and non-monetarily.<sup>67</sup>

Thus, the primary set of questions were related to their association with Chetna Organic and the benefits experienced by them after joining the organisation. Then they were asked questions related to Fair Trade and Chetna Organic being a Fair Trade Organisation and its peculiarities as an FTO. The most striking parts of the field visit was the awareness levels of the farmers, who surely didn't understand the meaning of Fair Trade but had an understanding of their association with Chetna in terms of the promotion of organic farming and the benefits of doing organic farming.

Almost all of the farmers had an association with the organisation ranging from about 4-7 years old and the sense of empowerment among them was quite visible. Though their association with Chetna Organic could not always be seen in terms of the direct monetary benefits but the unity and solidarity created among them was worth seeing. These illiterate farmers working in SHGs appeared quite participative in the decision making regarding the matters related to the nitty-gritty of their farming and the selling of the cotton.

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<sup>67</sup> The questions asked by the farmers of the Chetna Organic would be presented in details in the form of the questionnaire in the Annexure no. 2 at the end of the thesis. The interviews with the farmers happened more informally and in a non-structured manner and in the form of a conversation. The questionnaire helped in acting as the guide for the interactions and for the main questions and focus areas for the required information to be extracted from the farmers.



Image no. 6. This image shows the researcher sitting between two women farmers, Kanaka Bai and Gauri Bai who are also the group leaders of the self-help groups in the village Mowad. Date: 27<sup>th</sup> April, 2015. Image courtesy: Mr. Ambadash, one of the staff members and field coordinators of Chetna Organic in the region.

What farmers gained with Chetna most was the recognition of their hard earned work by getting a recognition because of their voice being heard in the system of Chetna at all the levels. Kanaka Bai<sup>68</sup> and Gauri Bai<sup>69</sup> have noticed an improvement in their status as women farmers in their own village. Kanaka Bai states that her years of association with Chetna Organic has in her own words, helped her evolve as a women group leader of the village and has improved her know-how of farming and she knows that what she is doing is right in terms of going organic and maintaining the crop diversity. So, a part of her produce, cotton is sold in the market through Chetna while the rest of the produce of food grains is used for self-consumption.

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<sup>68</sup> Kanaka Bai aged 55 has 6 members in the family which includes her 3 daughters, 1 son and her husband. She has 5 acres of land out of which cotton is sown in 2 acres. The rest 3 acres have been used for crops like red gram, jowar, maize etc.

<sup>69</sup> A widow and earlier a dependent on her brothers in the village, she owns 6 acres where she cultivates 3 acres cotton and on the rest 3 acres she produces other food crops like jowar, maize, and other kinds of pulses.

Similarly, Gauri Bai is happy to be associated with Chetna given that she has got a sense of direction and purpose in life. She attends meetings of the self-help groups, helps other women farmers with awareness of many issues of farming. She remarks that the frequency of group meetings is once a month and trainings are also given to farmers depending on the training requirements and season but generally they receive 3-4 trainings per year.

Farmers generally talked about the positive outcomes of their association with Chetna Organic whose benefits extended to areas other than material gains. According to a farmer, A. Amrut Rao, his association with Chetna Organic has made a difference in his life in terms of checking the insecurity and instability in their livelihood as well as the lack of correct information regarding their produce and its price.

Similarly, according to K. Jengu<sup>70</sup>, as a result of his association with Chetna Organic he gets a benefit of at least Rs 500 on one quintal of cotton sold. Through this statement of this farmer of Chetna Organic, it is quite evident that the cotton farmers' precarious situation in India has been targeted to be redressed through initiatives like Fair Trade taken up by organisations like Chetna Organic but a profit of just Rs 500 for a quintal of cotton is keeping these farmers satisfied because otherwise their cotton rates go even lower in the open market. For this same time period the cotton price for the cotton farmers in the region hovered around Rs 4000 per quintal, the Minimum Support Price or MSP for cotton being at Rs 4050 when the average yield is 6 quintals per acre for cotton in the region and the cost of production is Rs 20000 per acre. Thus the farmers get only Rs. 500-700 on an average even at the government MSP as also through Fair Trade. Thus the association with Fair Trade practices don't seem to materialize much in terms of the monetary benefits accrued by the farmers and taking them out of their poverty-stricken situation.

In order to overcome many difficulties faced by the farmers, Chetna Organic has converted part of the Fairtrade Premium into revolving funds at the co-op level. These funds are mainly used to make immediate part payments to the farmers, procure their cotton, and prevent it to be sold when it is less profitable. The premium has also partly financed the construction of warehouses and procurement centres at the co-operative level where cotton from the farmers is aggregated and stored in a safe manner until the low season, when cotton prices are higher. The premium provides the co-ops with the necessary resources to support farmers in the

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<sup>70</sup> An illiterate farmer owning 9 acres of land, having seven family members and 8 years of association with Chetna Organic.

procurement of non-GM cotton seeds, which are often difficult or even impossible to find during the critical sowing season. In order to ensure the sustainability of the project, when the cotton is sold after the harvest, the co-operative recovers the cost of the cotton seeds from the members and pools it back into the revolving fund.

Chetna Organic has invested part of the premium in a series of infrastructure projects intended to create viable income generating opportunities for the different co-ops, and to improve the productivity and the livelihoods of smallholder farmers. These projects include, among others, the construction of dhal mills, a bio-fertilizer unit, and a nursery, as well as the purchase of a tractor and attachments. Moreover, the Pragathi MACS, a co-operative of Chetna has been able to use the premium to instigate larger innovations that can potentially benefit the cotton farming communities as a whole. In particular, the co-op has purchased land and has setup an eco-centre to undertake various farm research and innovations and demonstrate best practices for farmers to adopt. A share of the premium, along with other funds, has served as support for the institution of villages in the Adilabad district, Andhra Pradesh, where all farmers make use of organic and Fairtrade practices and produce certified non-GM cotton.

The premium money was also being used in the area for the formation and running of dropout schools<sup>71</sup>. Three such dropout schools were run in the adjoining villages of Keramiri, Narnoor and Sirpur. Thus out of the premium money paid to the farmers, five para teachers were being paid. The premium money was also being used to pay advance payments to the farmers according to their needs. Thus, there was not any direct benefits of the Fair Trade premium money to be seen in the life of the individuals except for the advance payments received by them. However, such social initiatives as dropout schools and vocational training centers for the village women were useful for the local populace in terms of giving them opportunities to grow in their lives qualitatively.

#### *Next Stop - Utnoor*

Utnoor forms a model example of Fair Trade practices and the local coordinating office for the Fair Trade farmers of the region. Utnoor is also a subdivision (called Mandal) in the Adilabad district. It encompasses many villages out of which two villages Jainoor and Utnoor

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<sup>71</sup> The dropout schools for the poor illiterate or semi-literate farmers and inhabitants of the beneficiary villages of the Chetna Organic are meant to empower them by getting them read, write and understand about the nitty-gritty of their daily dealings as a farmer and helping them define their own destiny. Thus it acts as a positive intervention through the premium money.

were covered in this field work. Having a population of about a thousand tribal people whose main occupation is cultivation, each village had self-help groups and these self-help groups led to cooperative societies, one of the famous ones located and thus visited by the researcher is the Pragathi MACS. Economically and socially Utnoor falls almost on the same pedestal as Mowad except for the fact that the farming populace here was more organized and aware than Mowad.

Utnoor forms the base for the famous Pragathi MACS (Mutually Aided Cooperative Society) cooperative- a Chetna Organic promoted cooperative which has the distinction of being the first Chetna Organic Cooperative to elect 50 percent women as its board members. It forms the example of a model cooperative farming society. Then there is a newly established Pragathi Eco Centre in Jainoor in Utnoor meant for conducting farming related research and operations. The various co-operatives of the Chetna have evolved a mechanism of revolving funds along with Pragathi MACS as an example to invest the premium money. Thus Pragathi MACS supplies a complete 'Seed Kit' to the 3000 smallholder cotton farmers belonging to the cooperative at the beginning of each farming season. This seed kit is very important for the farmers and it includes non-GM cotton seeds, as well as different varieties of vegetables for homestead/kitchen gardens, pulses, and oilseeds and nursery plants/seedlings. Thus it helps in maintaining the crop diversity along with promoting organic farming. The Chetna Organic Agriculture Producer Company Limited (COAPCL) has signed an MOU with Pragathi MACS for seed cotton procurement in the year 2015 itself.

Availability of organic and non-GM cotton seeds has been a big problem for the cotton farmers of the region as the market has been flooded with GM seeds. Thus Pragathi MACS has worked to form a sustainable system of preserving indigenous variety of seeds and has formed its own seed bank and provides such preserved organic varieties of seeds to its constituent members, thus solving a big problem of seed availability and falling into the trap of GM seeds. Thus the issues of farming faced by farmers have been largely dealt by the Chetna Organic's various mechanisms involving individual farmers, self-help groups, cooperatives upto the level of the COPACL and COFA.

Thus the many benefits counted by the farmers visited in the village hinterlands of Telangana (associated with the Chetna Organic and practicing cotton cultivation on Fair Trade terms) through their association with Chetna are as follows:



- The farm yield and soil quality had increased through organic farming<sup>72</sup>
- They were now getting good food crops for their own self-consumption
- They could grow more vegetables as a result of the extra fertility and crop rotation
- The cotton marketing rates were more now and they were getting a shield against low hitting of prices for the cotton produced by them
- The transportation cost was borne by the company Chetna Organic
- They had created their own seed banks thus saving the high costs of purchase on seeds
- Some of them also cited that they were just investing on labour with zero other expenditures and getting really good returns
- Then the premium money was used to build adult age schools as well as another nursery in these two villages

Now considering the Fairtrade standards set by the FLO for the product labelling path of Fairtrade, the field evidences of Chetna Organic would be analysed against that set of standards which are as follows:

- Payment of a set minimum price was being made to the farmers
- A provision of additional ‘premium’ payment which is inbuilt in the price was available for the farmers with the farmers’ co-operative say in deciding how this premium was to be spent
- Workers or farmers were organised into democratic committees or co-operatives.
- Working conditions of the farmers and workers were safe.
- Workers’ rights and proper farmer’s diary was being maintained by the Chetna Organic.
- Protection of the environment was also taken care of.

Quite clearly all these standard requirements of Fairtrade was being followed by the organisation Chetna Organic in practice at the first instance. However, when viewed at the level of the actual practice, certain loopholes were found at the field of the farmers of the Chetna Organic.

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<sup>72</sup> Though Fair Trade farming and Organic farming are not synonymous and organic certification has different set of stringent standards but since one of the stated goals of Fair Trade puts emphasis on environmental norms being followed which implies non-use of any types of chemicals, Fair Trade farming in a way involves most of the principles of organic farming most of the times. So, the producing community of Chetna Organic when interviewed talked about Fair Trade in terms of Organic farming.

However, the monetary benefits in terms of lifting the farmers out of their poverty-stricken situation was hard to be seen in these villages. The villages were more organised and empowered socially and more aware and the sense of solidarity and empowerment also was visible in their lives but getting them out of their situation is something which has to be more structurally ingrained and there lies the limitation of the Fair Trade movement. So, there was hardly any evidence of any farmer family witnessing a change in their class status or moving up the social ladder. The benefits accrued by them through interventions like Chetna through Fair Trade are helping the farmer populace in many ways but those ways are not any fundamental changes in their really unjust circumstances and problems which are of structurally ingrained nature and require a well-coordinated effort not just on the part of the initiatives like Chetna Organic but the important role of the government in helping them out through its targeted policies. Thus the role of government has no substitute and neither does any initiative make deep inroads in the lives of these producing communities on substantial basis without working on the fundamentals of their precariousness. Thus the interim relief or improvement in the situation of the Chetna farmers visited as part of the field work was visible but something sustained and more effective has to be more with the larger system of trading than just evolving a parallel mode of Fairtrade trading.

The benefits of association with Chetna Organic have to be counted on the basis of both the monetary and non-monetary grounds. The issue of poverty reduction and social justice figuring out in the debates of Fair Trade forms very crucial points of debate regarding the effectiveness of Fair Trade in this part of the world and both these goals don't see their fulfillment at least for this part of the Fair Trade producer company and organisation dealing with the poorest of the farmers in Chetna Organic.

### **Fair Trade Alliance Kerala (FTAK) Kerala**

Another Fair Trade initiative working in India and taken up for the purpose of this study is the case of Fair Trade Alliance Kerala (FTAK) in Kerala. Another farmer based organisation, FTAK stands in contrast to the previous case study in terms of its development indicators being much better than the poverty-stricken parts of Telangana visited for the purpose of the earlier case study with Chetna Organic. Also, it offers a contrasting picture compared to the poor, illiterate Gond farmers of Telangana. The farmers associated with FTAK are mostly Christians, about 75 percent of the FTAK farmers consist of Christians, though there are

members from other religious communities too but the majority of its members are the migrated Christians in the Malabar regions. Thus it presents an educated and better-off class of farmers within India. This type of geographical and developmental contrast was chosen in order to map the potential of the Fair Trade practice more realistically in India through its diverse kind of targeted populace.

Established in the year 2005 FTAK is an organisation of smallholder farmers located mainly in the hilly areas of the Western Ghats of Kerala. The organisation was formed in response to the agrarian crisis at the start of the 21<sup>st</sup> century which led to indebtedness and poverty among the farmers of the region. This agrarian crisis in Kerala hit the farmers so hard that the farmers were unable to even retrieve the production costs for their produce let alone the talk of making profit.

FTAK aimed at solving this crisis by finding some sustainable solutions. This attempt led to joint action among the producers, consumers and distributors. All of them tried to form a more just system, where trade was not meant to be just for making profits but trade was visualized as a system of give-and-take having a human face. It aims at creating a system that guarantees that small-scale farming becomes a source of sustainable livelihood. Thus they have adopted the Fair Trade principles under which the farmers are paid a Fairtrade minimum price for their products. This system of sustainable farming is aimed at creating sustainable farming which means that farming protects and nurtures the workers as well as their land and its fertility and productivity in the long run.

FTAK operates mainly in the four districts of Kasargod, Kannur, Kozhikode and Wayanad. Kasargod and Kannur regions are cashew growing regions, the districts of Kozhikode and Wayanad are known for the spice-growing. However, coffee is commonly grown in all the regions and is one of the Fairtrade commodities grown by the FTAK and it is part of this Fair Trade study. Thus the motto behind the formation of FTAK was to create a system of enabling the farmers to gain access to the international market and simultaneously increasing their income through Fairtrade.

FTAK is engaged in promoting organic farming actively for the economic and environmental gains it brings. Almost all of its members now have converted to certified organic production. FTAK also acts on for its members to access government-aided programmes such as crop insurance, provision of organic inputs and farmer training. FTAK along with 11 producer co-

operatives in the countries of Malawi, Nicaragua and Bolivia together own a 44 percent share in UK-based Fairtrade Nut Company called Liberation Foods.

This ownership of the company in the hands of the producers provides them an active role in the governance of the company and also ensures more power to them even within the supply chain. FTAK implements several programmes to help the most economically disadvantaged groups among its members. They also recognise the important role of women in farming and particularly in promoting homestead farming. Thus it targets at women farmers also by helping them in taking control over their families' food. This system increases the widespread variety of the crops grown on these small farms which enhances the food security of the families.

FTAK has more than 5000 members. Of these 5000, about 10 percent are registered as women farmers. The average farm size is of 1.47ha and crops are grown on about 5,800ha. According to the information given on the FTAK website, "Coconuts are the largest product by volume (3,934 tonnes) followed by cashew nuts (1,124 tonnes) and coffee (514 tonnes), while smaller volumes of spices such as turmeric (66 tonnes) and cinnamon (500kg) are produced. Farmers deliver their products to local depots where they are purchased by FTAK's partner organisation Elements Homestead Products. They are then transported to processing units and processed into green coffee, coconut oil and nut oil etc. and packed ready for export." (FTAK website)

FTAK got Fairtrade certification in the year 2006 for an extensive range of products like cocoa, coffee, cinnamon, cloves, ginger, nutmeg, mace, black and white pepper, cardamom, turmeric, cashew nuts, and coconuts. FTAK has the system of receiving as a minimum the Fairtrade Minimum Price from the company, Elements for the sales of these products. The farmers are also paid the Fairtrade Premium as an additional sum of money meant to be invested in any social or economic projects chosen and decided democratically by the members of the FTAK.

### *Poverty and Livelihood Questions*

The problems faced by the farming communities in Kerala are many but they are of a different nature than the problems faced by the farming communities in the other parts of India. Firstly, because of them historically being more organised and belonging to socially better conditions owing to Kerala's socially better placed nature, the farmers don't appear to

be that marginalised as in other parts of the country. Even the small scale farmers have problems of indebtedness and instability of prices for their produce but they appear to be better placed in deciding for themselves. Secondly, because of the state of Kerala's characteristic transformation as a model of development and socially equitable conditions and fairness prevailing under the ruling regimes governing Kerala.

However, the larger problems of "food security, the appropriation of rural land, the effects of pests and diseases on their livelihoods, destruction of crops by wildlife, and the unwillingness of the younger generation to continue with agriculture" form the prevailing problems of Kerala farmers. (FTAK website) However the biggest problems have been the tumbling prices for their produce leading to the problem of indebtedness among the farmers which has led to the problem of farmer suicides even in the state of Kerala.

The Kerala farmers have been facing economically difficult situation due to the agrarian crisis hitting the farmers in places like Wayanad, Kannur and Kasargod. The plummeting prices for their produce was taking them nowhere. And it intensified severely in the decade of 1990s thus instigating many farmers to burn their produce and commit suicides also in many cases.

The field trip to the FTAK was done in the month of June 2015 in the rural areas of Wayanad and Kannur. Thus 2 villages with about 40 interviews and informal conversation with the farmers and the various staff at the office of FTAK were made out of this visit. The villages covered are Nadavayal in Wayanad district, Ayyankunnu Panchayat in Angadikadavu town in Iritty Taluka in Kannur district.

Since Kerala already has a better lifestyle and quite developed villages, there was not the visible underdevelopment and penury among the farmers in Kerala. In fact, they all presented a very contrasting picture from the farmers in Andhra Pradesh and Telangana visited through Chetna Organic who were leading a life of different nature all together. Also, a very important difference between Chetna farmers and the FTAK farmers is that while for the former, farming and cultivation was the only and main source of occupation and income, for the FTAK farmers covered in both the villages of Nadavayal and Ayyankunnu, farming was one important source of income but not the only source of income for them. Most of the farmers but not all of them had homestead farming as one important source of income and they were engaged in other occupations for their livelihood. Out of the 40 farmers covered during the field work in both the villages, about 17 farmers were also having a parallel source

of income apart from farming even though farming was a major source of income for these people thus opting to be associated with FTAK was a conscious decision on the part of these farmers to shield them from the price instability they had been facing in time of crisis.

Farmers in Kerala have historically been at the center of many successful movements arising from their discontent on various issues. They have been quite aware of their rights and conditions and have had a fairly better standard of living than the farmers in other parts of India. The ‘Kerala model of Development’<sup>73</sup> has proved to be quite a sustainable model for a long time in the developmental history Kerala. The Fair Trade Alliance Kerala has used this very vision of development of Kerala. In the words of Tomy Mathews, the founder of FTAK, FTAK has used this very potential of Kerala and its model of development to form a farmer based organisation and movement. Thus it has been quite active in building a sustainable yet fair model of farming and trading.

#### *Nadavayal and Ayyankunnu Villages*

Nadavayal village in Wayanad district of Kerala appeared to be quite a prosperous village at the first instance. As part of the field work, at least 9 women farmers were also interviewed among the 40 farmers to see their sense of involvement and empowerment through the association with FTAK. About 14 farmers visited in Nadavayal were all Christian migrants who had migrated and settled in Wayanad (as part of the Malabar migration which happened in the 1970s and 1980s).

Nadavayal as a village was seen quite democratically organised with quite a decentralized mode of functioning. The farmers were thus cohesively organised into a decentralized structure and each unit from cells to cooperatives was functioning in quite a systematic manner.

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<sup>73</sup> The Kerala model of Development has been a source of academic discourse and curiosity because of its apparent paradoxical nature consisting of ‘high indicators of social development’ co-existing with the comparatively low economic growth and minimal industrialisation.



Image no. 7. It shows the researcher's interaction with a farmer named C. Joseph in Ayyankunnu village in Kannur. Date: 9<sup>th</sup> June 2015. Image Courtesy: Prashant Kumar.

The FTAK farmers display their own way of doing farming which is small-scale, innovative, market-embracing and sustainable. In an interview with Thomas Kalappura, the then chairperson of FTAK in 2015, most of the FTAK farmers produce on about 1.5 hectares or 3.7 acre of land, smaller than the world average small holder land in the developing countries however, the earning of these small holder FTAK farmers from this small piece of land are higher than their other counterparts in the region. Thus, on an average- a typical farm earns about 1.5 lakhs in a year in comparison to the average national annual farm income of about 0.77 lakhs for India.



Image no. 8. It shows a rare variety of ladyfinger which is much bigger (almost of the size of a human hand) than the normal ladyfinger available in the market displayed by the farmer C. Joseph at his home. Date: 9<sup>th</sup> June, 2015. Image Courtesy: Bagisha Suman

It is to the credit of FTAK, C. Joseph<sup>74</sup> explains that such rare and old variety of seeds have been able to be retrieved and distributed on a large scale among the FTAK farmers. In fact, FTAK has served as the great reservoir for preserving the seeds and has been able to pool umpteen varieties of seeds through its one of kinds “seed festival” held every year in Kerala. This seed festival acts as a meeting ground and an interesting spot for the farmers to showcase their produce and exchange their rare varieties of seeds thus contributing to both preservation and diversity and thus keeping upto its goal of Fairtrade plus 3.<sup>75</sup>

FTAK also presents an interesting example of overcoming the stumbling blocks which come in the path of small holder farmers going for organic agriculture. Organic farmers, have been known to face an initial difficulty in transformation to organic farming because of the non-

<sup>74</sup> C. Joseph is a full time farmer associated with FTAK in the village of Ayyankunnu in Kannur district of Kerala. He talks at length about the Fair Trade practice and tells us about the Participatory Guarantee System or PGS through which FTAK farmers work by ensuring that the organic and Fair Trade practices are being followed by the member farmers.

<sup>75</sup> Fairtrade plus 3 is the adaption of Fair Trade by the FTAK by adding something from its own side which includes biodiversity, food security and gender justice. Thus FTAK has added its own dimensions to the Fairtrade adapted by its organisation and has been continuously striving towards achieving these goals.



availability of organic seeds or even if available, the high price of organic seeds. Also, the high cost of production associated with organic farming is often not rewarded by the market where they sell their produce. Thus the FTAK had started with the strong base of farmers who were already producing organically (in its initial phase) and formed a cooperative of these farmers. But these farmers were then also expanded to work with the mainstream farmers who later converted themselves to organic farming after seeing its market potential and future through the help of the FTAK.



Image no. 9. It shows the picture of the Kannur based office of the FTAK. Date: June 13, 2015. Image Courtesy: Prashant Kumar.

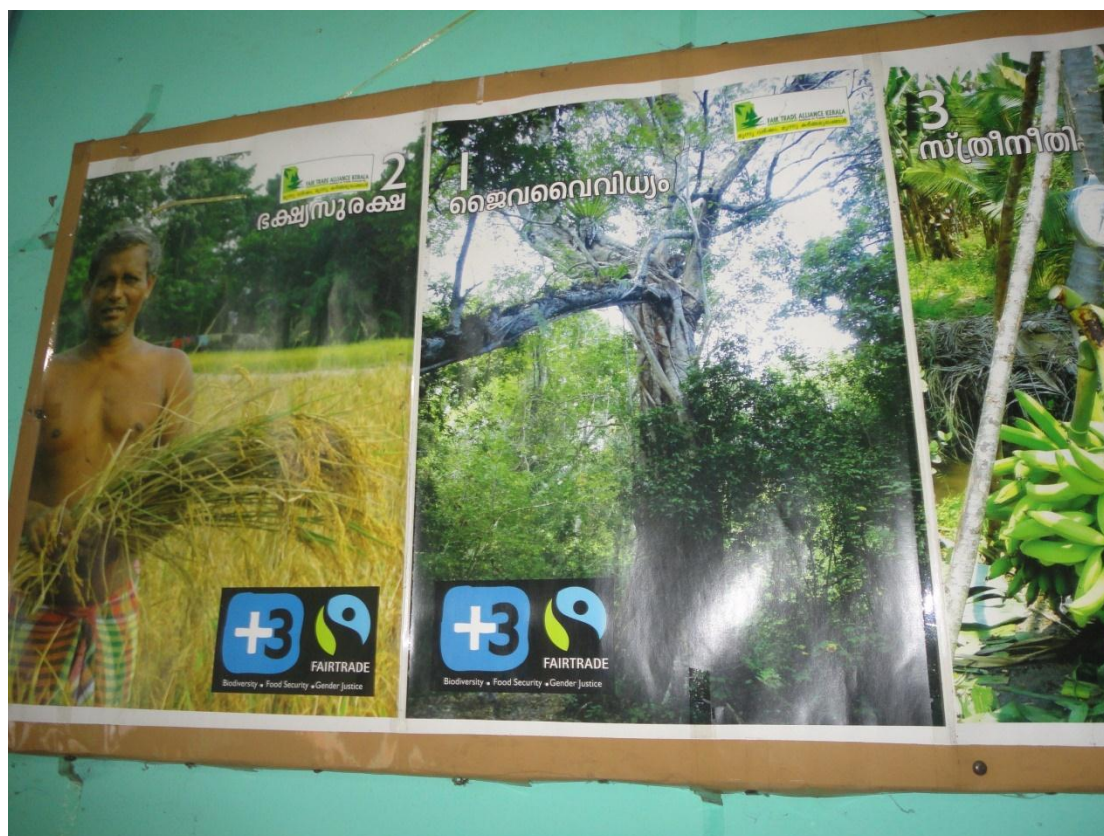


Image no. 10. A poster of FTAK on one of its office walls showing its motto and its own adaptation of Fairtrade. Date: 11<sup>th</sup> June, 2015. Image Courtesy: Bagisha Suman.

This image shows a poster of FTAK which has a logo of Fairtrade on it and describes the motto of FTAK and its work as Fairtrade plus 3 which includes biodiversity, food security and gender justice. Thus FTAK has added its own dimensions to the Fairtrade adapted by its organisation and has been continuously striving towards achieving these goals.

The field work thus found striking evidences of the three mottos of Fairtrade plus 3 promoted and adapted by the FTAK. Also, the awareness level of the farmers about the Fairtrade movement and its principles and practices was cent percent among the farmers.

Visits and conversation with the women farmers of FTAK was conducted with the help of the FTAK office and local coordinators of the Ndavayal village and Ayyankunnu village in both Kannur and Wayanad also demostarted some positive impact of Fair Trade.

A FTAK women farmer, Priya K. John along with her husband, are full time members with no other income source and are completely dependent on farming and thus FTAK. She showed us her homestead farming and how she used the premium money to invest in livestock and in other times she asked for advance payments.



Image no. 11. A women farmer in Nadavayal in Wayanad named Priya K. John. Date:10<sup>th</sup> June, 2015, Image Courtesy: Prashant Kumar.





Image no. 12. It shows another woman FTAK farmer named Sheena interacting with the reseracher in the Ayyankunnu village in Kannur. Date: 12<sup>th</sup> June, 2015. Image Courtesy: Sooraj.

The Fairtrade Premium in large portions is devoted in the FTAK in the conversion of farms to organic production in order to make farmers benefit from the higher prices and their access to premium markets. The premium money is also utilized in helping the farmers meet the costs of the certification. The other uses of premium are investments in solar-powered electric fencing in order to safeguard the farms near the forest areas from the onslaught of the elephants. FTAK has also created disaster management fund out of the Fairtrade premium. This is an important step particularly for the hillside farmers. These regions are prone to landslides in the monsoon which can create disaster. Government aid in these areas often is much delayed and not sufficient. Thus this disaster management fund is meant for providing immediate help to the farmers, especially in the cases when they are rendered dispossessed and when their crops see destruction. FTAK uses the premium money also to make advance cash payments to its member farmers. It has invested this money in building its new office.

Overall, the interviews conducted with these farmers regarding the benefits of getting associated with FTAK led to following observations:

- Almost all the farmers agreed that they were getting better prices for their produce. Also, the uncertainty prevalent in the farming sector because of the fluctuating prices have been taken care of
- However, some of the farmers wished they could get better prices for their produce
- They feel more empowered because now they are united and act as a peer group and this helps them in making better decisions
- The highly democratic and decentralized nature of structure of the FTAK gives them the opportunity to be part of the decision making
- The initiative of seed conservation and seed sharing has led to some really wonderful seed varieties being preserved and restored which would have otherwise thought to have been lost which brought variety and diversity in farming
- Their material conditions may not be very much affected overall but at least they were now acting on minimal risk with FTAK taking care of their produce and its procurement
- The awareness level about Fairtrade among the farmers and staff of the FTAK was cent percent and they knew about the Fairtrade practice and movement across the world
- The premium money was also utilized and advance payments were also made if needed

Thus the Fairtrade practice in Fair Trade Alliance Kerala presented a very unique system of organising farmers and leading them towards better and more secure livelihoods. Also the Fairtrade standards are being followed in letter and spirit.

However, the point to be noted here is that most of the farmers associated with FTAK (about 80 percent) have other sources of livelihood also. And those farmers who belonged to lower strata and low-income group among the FTAK, did not see any noticeable change in their income level so much so that it could help them in coming out of their situation. Thus Fair Trade can be said to be helping farmers in getting united and working against the market risks and promoting sustainable and stable income but not sustainable livelihoods as much so as to bring any structural change in their lives. In a state like Kerala, where development indicators are much better than the national average, the change brought about by the Fair Trade practices could definitely be said to be adding on to and prospering on the already present and established minimum fairness standards but again the potential to make groundbreaking changes are present but have not been manifested even after about a decade

of association of the farmers with the Fair Trade practices through FTAK. Thus, the role of initiatives like FTAK is facilitative and empowering for the farmers in terms of giving them stability and voices but not in terms of bringing them up in the social ladder.

The next case study is that of an organisation, an FTO called Eco Tasar associated with FTF-I through membership. It presents a case of organisational membership path in Fair Trade, the route followed by the WFTO. The peculiarity with this organisation is the location of its various producing communities along the supply chain across different regions/states in India, thus presenting an interesting case of studying Fair Trade through the supply chain running across the states of Bihar, Jharkhand and Noida, NCR.

### **Eco Tasar**

Eco Tasar Silk Pvt. Ltd is a Fair Trade Organisation (a producer and marketing organisation) dealing in silk fabrics, sarees, stoles and finished fabric products like cushion covers, bed covers etc. Its customers include many retailers like Fabindia within India and companies like West Elm in the US to name a few. The all silk products of the FTO are a result of a collective venture consisting of tribal silkworm rearers, poor rural women yarn makers and handloom weavers in the hinterlands of India. It claims that the creation of each of its products is a source of livelihood and hopefulness for the better prospects of the thousands of women and tribals who otherwise have no wage opportunities in the remote villages where they are situated. In the absence of livelihood opportunities, they are often forced to migrate to the nearby cities in the search of a living as many of them are marginal farmers and income from agriculture is not sufficient to last through the whole year. The yarn made by the women is used to weave exquisite stoles and scarves, throws, sarees and fabric.

#### *Poverty and Livelihood Questions*

The Tasar project was started as a livelihood promotion project by an NGO of national stature called PRADAN in India. “The all-natural wild silk items are made by a collaborative venture of tribal silkworm rearer, poor rural women yarn makers and handloom weavers in the hinterlands of India.” (Eco Tasar Website) Now, the information on the Fair Trade Forum-India website on Eco Tasar says this,

The principles of fair trade are adhered to in the manufacturing process. No child labour is involved and utmost care is taken to make a green product. Natural vegetable dyes and/or

Azo-free dyes are used in the manufacture of these silks which are then being sold worldwide through both regular and Fair trade channels. Eco-Tasar also has an AHIMSA or nonviolent silk range made from verifiable manufacturing processes. (FTF-I website)

The producing community of Eco Tasar is based in the parts of Bihar and Jharkhand. It provides a complete picture of the supply chain right from the yarn making to the weaving of the fabric to that of the finished product. Visits to each part of the supply chain<sup>76</sup> revealed important insights. Eco Tasar, in the words of its own organisational head aims at creating and sustaining employment opportunities for these poor people in the remotest areas of Bihar and Jharkhand. The mechanics of Eco Tasar observed during fieldwork are as follows:

1) The first stage of the process is yarn making and though the company procures silk yarn both from the open market and the hand-made yarn from these poor people in the remotest villages in the districts of Jharkhand, giving the logic that they don't want to shut the only economic opportunity for the poor women in the region which is yarn making. However the observations in this part of the supply chain lead towards another fact that these women are highly underpaid and despite a complete days' work, they earn as less as Rs. 50 rupees a day. Actually a Kg of yarn requires at least 10-12 days of 5-6 hours of yarn making for women who come to the clusters in the village meant for yarn making or work also from home and 1 kg of yarn making earns them hardly Rs. 500. One silk saree may need from 250 gms to 500 gms of silk yarn depending upon the quality.

2) The next stage is the weaving unit. Visits to the weaving clusters of the famous Bhagalpuri sarees was made in the areas of Puraini and Nathnagar in the Bhagalpur district. These villages have been traditionally the hub for silk weaving of the famous Bhagalpuri Silk fabrics. The weavers associated with Eco Tasar were found to be in no better condition than their other counterparts (silk weavers not associated with Eco Tasar) except for the fact they were not out of work most of the times because of the demands from Eco Tasar. They were earning the same as the other weavers, about Rs 6000-8000 in a month when actually the weaving work involves all the members of the family for different purposes and stages of weaving. Even children were seen working at their homes. So, qualitatively, no difference was found in the lives of the weavers associated with Eco Tasar which claims to be a Fair Trade organisation.

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<sup>76</sup> It included an interview with the MD of the FTO, Mr. Khitish Pandya and a visit to the fields of the producing community in the villages of the district of Dumka in Jharkhand and Bhagalpur and Banka in Bihar.

3) The third stage was the finishing of the fabric in terms of cleaning, ironing, drying and packaging done in the city of Bhagalpur. Here most of the employees were employed on a short-term basis or temporary employment depending on the work and were paid between Rs 5000-Rs 8000 based on the type and intensity and number of hours put up by them everyday.

4) The final stage is the tailoring unit for the items like cushions and bedcovers etc. for the export market of Eco Tasar. This tailoring unit for such products is based in a Noida factory. It has around 25-30 workers, all male. The working conditions, place of work and safety etc. at this unit of the supply chain were good and the payment made to them was also alright as they were being paid about Rs. 250-300 per day depending upon the work type of the individuals.

A reading of the supply chain of Eco Tasar points to the following:

1) The terms of the trade for the same FTO varies from region to region within India depending on the local and regional factors and the rule-adhering compulsion for the FTO in question owing to the government's regulation in the state for the unorganised sector people and the treatment meted out to them thus as a result of it. And even though the daily wages vary from state to state, the drastic and extreme variation in the condition of the producers at the various levels of the supply chain belonging to the Eco Tasar do not count for any justification in the name of the local necessities for the same Fair Trade Organization. Thus the highly underpaid nature of the yarn-making and weaving units in the supply chain were quite striking and don't appear to be fair from any angle.

2) Even accepting the claims of the Eco Tasar that they are trying to provide the local employment opportunities for the women in these local hinterlands, needs to be seen in light of the following:

i) Eco Tasar requires the handmade yarn from these women yarn makers because it is cheaper than what is available in the open market. Also these women are trained in yarn making, silk reeling etc. and provided with the equipment from the Central Silk Board. Even the existing weaving clusters in the villages where yarn-making was done were formed as an initiative of the government's Central Silk Board initiative much before Eco Tasar or Pradhan, the NGO (the pre-cursor to Eco Tasar) began its journey into yarn-making or silk weaving. So, Eco Tasar actually capitalizes on the government led training and supply of the necessary equipment provided to the villagers in order to gain from the available resources in the form



of the trained human resources. The only dimension they are adding is creating the employment opportunities at throwaway wages for these people. However, given the lack of any other support or employment opportunities from any other buyers, these women are bound to avail whatever is at their hands. So, they don't have any choice than to accept whatever is being provided by the FTO to them as that area has no other employment opportunities.

ii) The FTO claims that the most important contribution they are making through their organisation is creating and sustaining the employment opportunities in these interior parts of the state of Bihar and Jharkhand where there are no livelihood options for the local people especially women. However, observations during the fieldwork have led to one conclusion that it is a fallacious claim to a large extent. The other side of the story is also that the FTO uses these people as cheap labour for their own benefits in the name of creating employment/livelihood opportunities for them.

Various other principles of Fair Trade apart, the most important one as emphasized by the Fair Trade practitioners is the creation of opportunities for the economically disadvantaged producers. Now the other non-negotiable principles based on which the FTO is going to be analysed are payment of a fair price, ensuring no child labour and providing capacity building. In the case of Eco Tasar, the payment of wages has been observed to be abysmally low in some parts of the supply chain. For example, the yarn-making part of the supply chain is the worse in terms of the payment of wages. The minimum wages for unskilled labour in Bihar and Jharkhand for the time-period when the field works to this FTO and its producing community was done<sup>77</sup> was about Rs. 178 per day but as already mentioned, the yarn making was hardly paying Rs. 50-60 a day to the yarn-making women of these rural hinterlands.

The weaving unit of Eco Tasar which operates from home based weavers who have been doing this work since generations, was also not very good in terms of the payment of wages. The average earnings of the weavers on the daily basis barely matched the fairness criterion. Though it touched the daily minimum wages decided by the state government, it hardly matched the fairness criterion set by what fair trade practitioners call as 'living wages'<sup>78</sup>

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<sup>77</sup> The field work for Eco Tasar was done in the year 2015 in the month of July. The minimum wage given for the area is for the year 2015 as set by the state government.

<sup>78</sup> Living wage has been defined as a wage which can cover the basic requirements of a worker and his/her family. The basic requirements being that of food, clothing, housing, education, healthcare, transport to work and some extra for unforeseen circumstances. Thus a living wage is generally considered enough for the smooth

Similarly, involvement of children in the process of weaving was observed in several home-bound weavers' homes. However, this cannot be controlled because in professions like this where generations are involved in the same family art, this is bound to happen. Even the Indian government's new policy on child labour allows this.

Most striking part of the field work was the fact that across the whole supply chain of Eco Tasar, there was no awareness among the yarn-makers or weavers or the tailors or other workers associated with Eco Tasar about the Fair Trade principles or Eco Tasar being a member of Fair Trade. This is striking because it points towards a critical information missing from the producing community of Eco Tasar regarding their entitlements for being associated with Eco Tasar.



Image no. 13. It shows a girl child named Sunita working on a weaving unit at her home at Purini village in Bhagalpur district, Bihar Date: 14<sup>th</sup> July, 2015. Image Courtesy: Bagisha Suman.

Sumita, 11 year old girl seen in the image no. 13 works from her home and helps her father, a weaver with Eco Tasar who involves also his wife and children in weaving the fabric

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running of the family of the worker. The Fair Trade movement has been defining fair wages in terms of the living wages in a given area.

demanding by the Eco Tasar. He is hardly satisfied by Eco Tasar in terms of its payment or nay other facilities if at all present.

Also, in terms of capacity building, trainings for capacity enhancement or awareness of the weavers or yarn-makers was not found to be done on a regular basis by the FTO. In fact the FTO was limiting its demands from only those weavers who could manage to do the complex designing patterns as demanded form their foreign clients from time to time.<sup>79</sup>



Image no. 14. It shows a women yarn maker named Savitri Devi from a yarn making cluster situated in a village called Babhani in Saraiyahat Tehsil in Dumka district, Jharkhand, Date: 12<sup>th</sup> July, 2015. Image Courtesy: Bagisha Suman.

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<sup>79</sup> It was pointed out by some of the weavers during the field work that how Eco Tasar is getting more selective in terms of its offers and demands from the weavers thus only reaping the benefits from the master weavers according to the latest demands of the market thus again putting a question mark on its claim of providing employment opportunities for as many people as possible.



Image no. 15. It shows the women yarn makers from a village called Chikaniya in Saraiyahat tehsil of Dumka district in Jharkhand from where Eco Tasar sources its yarn. Date: 10<sup>th</sup> July, 2015. Image courtesy: Bagisha Suman

Women also have a similar tale to be told. The yarn being made by them is from the cocoons which are of qualitatively inferior quality and go by the name of ahimsa silk as the silk-worm has been out of the cocoon. After a hard work of an average 7 hours a day, they were hardly able to earn 40-50 rupees a day only.

However, Eco Tasar's Noida based factory for the final products like bedspread and cushions, duvets etc. made from the fabric created in the rural hinterlands of Bihar was found to be in a very good condition with all the basic amenities and labour laws being followed. Even the working hours, work environment and payment of wages was according to the government norms.

This makes one wonder as to what makes an FTO perform at such varied levels for its producers and artisans. It is definitely the difference in the locational factor and compulsions owing to the visibility of the supply chain which makes the production supply chain's performance varied at the various parts of the supply chain. Moreover, the nature of the state and the nature of the unorganised, splintered work and the vulnerability of the producing communities in the largely undeveloped parts of Bihar makes the yarn-making women and

the weavers the most neglected even if they are part of an FTO which claims to work on Fair Trade principles.

The government's role and the role of the societal build-up and tolerance for the throwaway offerings of the employer (here the FTO Eco Tasar in question) which claims to be a Fair Trade Organisation adds to the sustenance of this type of difference in treatment of the people/marginalised producers in different parts of the supply chain.

The next organisation covered as part of the Fair Trade case study in India is an FTO called Kara Weaves situated in Kerala. Belonging to the organisational membership model of Fair Trade, Kara Weaves belongs to the state of Kerala and presents an example of reviving a dying art and practice of handloom weaving by doing much needed interventions on its part.

### **Kara Weaves**

Kara Weaves is a production and marketing organisation which has tried to revive the old handloom culture in Kerala using a very ancient local fabric called the "thorthu" that is hand-made at traditional wooden looms. Being a Fair Trade certified organisation, they work only with certified government weaving and tailoring co-operatives in Kerala who work under subsidies and social security schemes from the government. They take care to ensure that no child labour is involved in any of their fabrication. Started in 2008, Kara Weaves is a certified member of the Fair Trade Forum-India. Kara Weaves obtained this membership of the Fair Trade Forum -India, the country network of the WFTO and WFTO-Asia in India in the year 2013. It also uses the Fair Trade India Brand for its products.

It claims to be the first-of-its-kind effort in Kerala to bridge the gap between the traditional art form of weaving and the contemporary demands of the market. Kara is a creative endeavor having a social cause. It was founded out of the much-needed course of action to give the handloom industry in Kerala a creative impulse. It works with a team that deals with independent weavers' teams and groups of rural tailors across the state of Kerala in order to create handloom based textiles of different varieties. It has done so by reviving the traditional piece of cloth called 'thorthu' (used by the people of Kerala as a thin towel, originally hand woven) by bringing it into trend by contemporizing its use by making designing and marketing interventions. Their products include 'exclusively designed and hand woven table linens and bath items' prepared using the finely woven cotton towel material called 'thorthu', traditionally used as an ayurvedic body-wipe fabric. Kara being a Fair Trade Certified



Organization chose to work only with the certified government weaving and tailoring co-operatives in Kerala who work under subsidies and social security schemes from the government.<sup>80</sup> (Fair Trade Forum India website) Thus it is taken absolute care to ensure that no child labor is involved in any of processes while preparing the fabric. Products are hand-stitched when the need be by only at the certified co-operatives and independent local tailors in Kerala, India. The process of making ‘thorthu’ consists of firstly, the procuring of the cotton threads and providing the government run co-operatives with these cotton threads to work for Kara and secondly, using the local weavers and tailors to create the products of their choice by Kara Weaves. So, the cost of production includes the cotton threads purchased from the market (unlike Eco Tasar which involves yarn making and a major part of whose yarn comes from the yarn making producing community of Eco Tasar) and Kara just engages at the weaving level for most of its products which don’t require tailoring (Like the bath towel, bed linens etc.)

#### *Poverty and Livelihood Questions*

It was in the 2007 when Indu Menon, the founder and CEO of Kara Weaves, visited her native village in Kanjiramattom, Ernakulam district in Kerala. In her own words, she was very upset to find that the condition of ‘thorthu’ weavers was worsening due to lack of work and competition from powerloom products. These traditional weavers were giving up on their traditional art of textile weaving due to lack of demand and financial instability. (Menon 2015) She described that with the onslaught of the era of liberalisation, handloom weavers were no longer receiving government subsidies. Hence, most of these artisans were going for unskilled jobs which also included those offered by the Mahatma Gandhi National Rural Employment Guarantee Act. However, it gave them no satisfaction, only a livelihood with stable income which they opted for out of no choice left with them. According to Menon (2015), “Two decades ago, I had visited and studied the handlooms in the area for an academic research on handloom cooperatives in Kanjiramattom. Then, the place had at least 30 looms. But after retirement I found that the number of handloom cooperatives had been reduced to just three in number. I felt the need to do something for it.”

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<sup>80</sup> The choice to work with certified government weaving and tailoring co-operatives by Kara is not just on account of getting its fairness credentials right but also because the certified government co-operatives in Kerala offer the right kind of captive group given that they already have a well-established and well-functioning system of co-operative society with decentralized structures,

‘Thorthu’ being a handloom product, requires the minute skill, craft, and art for weaving it out of the high-end pure cotton yarn which is used for making the fabric of ‘thorthu’. The special advantage associated with the fabric of ‘thorthu’ is that its energy impact is almost zero. Only one fifth of water is needed to wash it, as against Turkish towels,” she explains. Menon (2015) continues, “Because of the absorbent capacity of ‘thorthu’, on any hot day, men and women use it in different ways, thorthu being an inseparable part of their daily lives. While men prefer to thorthu to a shirt, wrapping it around their shoulder or head, the women use it most of the times while working in the kitchen”.

But they needed a business model to materialize their idea of reviving this art and saving the tradition of ‘thorthu’ weaving. Thus they came up with the idea of contemporizing ‘thorthu’ by giving it new forms like bath robes, table linens, stoles and other contemporary items of use. Their focus was mainly the global export market. Thus, Kara Weaves was formed in the year 2008 and it decided to involve the government-run handloom co-operatives situated in Kannur, Kanjiramattom and Chendamangalam for the purpose of propagating its idea and establishing its business.

A visit to the Kanjiramattom cooperative society was paid for the purpose of this study. The weavers and officers of the Kanjiramattom co-operative society admitted that they were planning to shut down at the time when Kara Weaves intervened with its business strategy. In the words of E R Dhanya, the secretary of the Kanjiramattom co-operative society, “Without ‘Kara’, we would have shut down. Kara offered us advance payment for work which became our working capital. When the items were delivered, we were paid double the price we were getting from the government,” (The Indian Express 2014). Thus Kara’s intervention is related to making use of a traditional dying technique not just by reviving it and by making it a profitable venture and by creating livelihood opportunities for the artisans and weavers who were otherwise without work.

#### *Ernakulam District and Kannur District*

For this study, two government co-operatives were visited by the researcher, one based in Ernakulam district and the other in the Kannur district of Kerala. There were about 30 weavers who were interviewed for the purpose of this study who were asked questions related to the benefits of their association with Kara Weaves, the problems faced by them, about Fair Trade and their income level and standard of living.

It came out of the interaction with the weavers that apart from the marketing and designing interventions, any substantial changes in the life of the weavers could not be noticed. For instance P.K Narayan Kutty (see image no.15) , a master weaver with the Kara Weaves coming from a family of weavers and inheriting the weaving tradition from generations, he was happy to at least have gotten some work through Kara Weaves. When asked about his remuneration, he said it is better than before and that he is paid on the basis of piece work. He is a government trained weaver and was being employed by Kara since 2009. However, he was not aware about the concept of Fair Trade or the Fair Trade wages and what makes Kara Weaves an FTO and hence an organisation with a difference.



Image no. 16. P.K Narayan Kutty, a master weaver with the Kara Weaves is being seen weaving one of his creations at Kanjiramattom in Ernakulam district, Kerala. Date: 22<sup>nd</sup> June, 2015. Image courtesy: Bagisha Suman

Similarly, Amtrika who has been associated with Kara Weaves for at least five years (when the field visit o Kara was conducted in April, 2015) but doesn't know about the concept of



Fair Trade. She said that she was not happy with the wages she was getting at Kara and wanted a diversification of job opportunities for weavers like her so that they could earn more and come out of their poor conditions.

It must be noted that Kerala has had a very rich tradition of government co-operative societies which are basically government run and supported co-operatives established for the purpose of promoting the local weavers and artisans. So to start an organisation based on these co-operatives made the organisation already fair as the wages of the weavers and tailors are very much determined with their involvement and voice. And Kerala having fairly high wages actually qualifies for Fair Trade very automatically, says Indu Menon (2015)



Image 17. A women weaver named Amtrika at work at the Ernakulam weaving cluster. Date: 23<sup>rd</sup> June, 2015, Image courtesy: Bagisha Suman.

The interactions with the weavers of the Kara at the two co-operatives visited in Ernakulam and Kannur has led to the following observation:

- The issue of livelihood and getting their job back is the most important contribution made by Kara as an intervention programme taken up

- Kara has used the government co-operatives as a captive group to do design and marketing interventions in the lives of the weavers
- Kara has tied up with the government speed post centers for the end user customers
- The weavers cited getting advance payment if required for production
- Some of the designer weavers also had the incentive of getting bonus for their work
- However, the weavers did not seem to know anything about Fair Trade.
- Also the training part of the weavers was also not regular or presently done by Kara. Kara was only making the weavers employed and trying bring orders for them.

Thus unlike the field visit in parts of Bihar and Jharkhand where the weaving and yarn-making is mostly home-based, here in Kerala there exists a workplace for the weavers and also the equipment for them to work over. However, the declining demand of the traditionally woven clothes because of the tough competition by machine made products has led to a severe decline in even the production of this traditional yarn and this led to the weavers going out of work and co-operatives getting dysfunctional. Thus the initiative taken by Kara Weaves to revive this old weaving technique of making the ancient cloth ‘thorthu’ has been a commendable step which has combined both the revival techniques for this ancient fabric as well as bringing back the livelihood of the weavers back. However, Kara Weaves still needs to graduate itself in terms of its activities related to fairness and Fair Trade principles like capacity-building, transparency and intervene more deeply to make any impactful presence in the lives of their producing community. Here, the producing community of Kara presents a case of people who were once getting incentives from the government and were better placed in society but their situation worsened and they were helped by an organisation like Kara Weaves. Though Kara’s contribution is commendable but the role of government cannot find any substitute as any business enterprise even a social business runs on the principle of economy of scale based on which it pays off its beneficiaries, thus making their welfare conditional.

## **Conclusion**

This chapter has attempted to cover the field evidences of the Fair Trade practice in India by presenting the story of four Fair Trade Organizations working in the four different parts of the country, engaging with different types of producing communities in terms of its target populace coming from the poor tribal belts of Telangana to the educated Christian farmers in

Kerala, to poor illiterate yarn-makers in Jharkhand and Muslim weavers in the hinterlands of Bihar to the ‘out of work’ weavers of Kerala.

Each of these case studies has its own interesting narrative in terms of its tryst with the Indian State and an initiative like Fair Trade. While each of them present an interesting tale of subjectivities related with the practice of Fair Trade, they also provide the evidence for its effectiveness or not in their lives and the extent to which the realities of their life in terms of poverty, unjust social situation, unstable income, social standing, empowerment, decision-making and community upliftment has been affected with the practices of Fair Trade associated with the FTO in question. It presents the evidences from the field as observed by the researcher and as narrated by the interviewees.

The evidences from the field visits and the interactions with the organisations have led to the conclusion that Fair Trade in India, its functions and success or not is not a matter of an organisation’s association with Fair Trade only but the intent and motivation of the organisation itself in particular. The role of the regional factors is also very important criteria. Thus, Fair Trade conceptualized as an attempt to bring “interim global market justice in a non-ideal world” (Walton 2010:431) seems to be the most appropriate description of Fair Trade in the case of India. But as the claims of its large goals like social justice and poverty alleviation are considered, it doesn’t fit into the developmental tools which could actually hit such perennial problems which ask for structural changes in the society and economy. Thus, as Walton (2010) remarked,

..while fair trade does not constitute justice itself (justice being a much grander project that require International organisations with sufficient power to enforce productive and redistributive justice), it does offer a form of justice-emulation or justice-promotion in the absence of justice being institutionalized at the global level. It is an interim corrective establishing just relations between persons living in a non-ideal world, necessary only until justice is realised in the wider context. Walton (2010:434)

Thus Fair Trade at best could be explained in this context and the evidences collected from India point towards it bringing some interim short-term relief to some of the targeted sections of the producing community but it has hardly had any far-reaching or sustainable changes in the lives of its targeted populace.

The next chapter analyses the views and perspectives of the Fair Trade practitioners and charts out their perspectives on number of important issues related to the political-economy of the existence of Fair Trade in India. After having analysed Fair Trade from the producer’s side, the story from the practitioners’ side also needs to be told.

## Chapter 5

### Fair Trade in India: An Examination of the Politico-economic Linkages

#### Introduction

Fair Trade in India is now a practice making its hold on the Indian scene slowly but steadily. Though consumer awareness of Fair Trade in India for Fair Trade products is yet to achieve any remarkable position, the number of producer organisations/ social enterprises going for the membership of the Fair Trade network in India is growing with each passing year. There exists a variety of organisations in India with product diversity ranging from handicraft, textiles in cotton and silk to agro-based products like spices, nuts, coffee and cotton having come under the Fair Trade purview. And the organisations range from producer organisations to marketing ones to the ones which are both producer as well as marketing organisation. A few of the organisations are also resource organisations acting as resource procurer and sometimes doubling up as producer organisations as well.<sup>81</sup> The functioning and mode of operations of each of these organisations after coming under the Fair Trade umbrella has to be according to the principles and commitments of Fair Trade. The ten principles of Fair Trade and the stated goals of Fair Trade are supposed to form the cornerstone of their operational principles. These organisations might be having a variety of reasons for joining the Fair Trade system and these reasons are important to know the kind of support and help required by these well-meaning organisations from 'Fair Trade' since a majority of them have already had socially oriented businesses even before being associated with the practice of Fair Trade and by default been following certain principled business. Also, in a world of growing certification and trademark regimes meant for certifying the various aspects and uniqueness of a product, 'why Fair Trade?' is often a question which this study has been trying to make sense of.

Fair Trade claims to be different and above many of the certifying schemes available inside the country as well as across the globe. It claims to be superior to many of its counterpart certification schemes in the sense that it claims to include the best practices of many such certifying agencies like organic certification, ethical trading. However the very fact that it has been witnessing and playing within the constraints of market saturation for many of the

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<sup>81</sup>The Annual Report of Fair Trade Forum-India (2015) has a comprehensive list of all Fair Trade Organisations and their categories.

products like handicrafts (which forms an important and most widely prevalent segment among the FTOs in southern countries, India being no exception) raises a question as to why then new organisations are joining the Fair Trade bandwagon. The answer to this question is as important as the query itself because it also points towards an important area of inquiry regarding the role of government sector in promoting these organisations and more so the really big number of marginalised producing community it caters to.

The informal sector in India occupies a very high percentage of the workforce in India as in many other developing countries of the south. The rough estimate points towards the informal sector containing more than 80 percent of the workforce which lacks any welfare protection, access to technical knowhow and hardly has any credit support. And Fair Trade at least claims to be working in these directions where the informal sector really lacks, be it the lacuna created by the absence of the government policies or the state in general over generations, it is a question worth exploring as to what are the intersections of the Fair Trade practice with the government's involvement or not in the lives of the informal sector/the producing communities of the regions.

Is there any co-relation between the role of government in a region or for the producing community and the Fair Trade adoption for that producing community? Also, does Fair Trade adoption by an organisation and the producing community necessarily mean that they are moving towards a private membership and certifying tradition for their benefit and will hardly ever need the government for their welfare needs? Does Fair Trade really guarantee the upliftment of the marginalised producers so much so that the presence or absence of the government from the scene becomes redundant?

All these questions raise some really interesting twists in the Fair Trade narrative of welfare, upliftment of the poor people for it needs to be seen in what ways and manners does their welfare take place and also 'if not for Fair Trade, would their condition be really worse off?' These questions are important also because Fair Trade is a consumer-producer based relationship and when a consumer opts to buy a Fair Trade product, she does this by choosing that product over and above many similar products available in the market. Thus the question that always arises is whether Fair Trade is a universally good-causing, trusted umbrella of organisations which need not be given a second thought for their intentions and outcomes or is there a variety and hierarchy even within the Fair Trade world which makes certain FTOs in certain contexts and regions more trusted than others. These are the primary questions

around which this chapter would address with the motto of bringing some clarity about the impact of Fair Trade in India. And that involves looking at the producing community, the organisations, their perception about Fair Trade, their motto for joining Fair Trade, their way of evaluating their impact on Fair Trade, their views on tackling poverty, their views on the role and involvement of the government, and their views on the role of the corporate sector and big companies involved in Fair Trade.

It is therefore important to begin this discussion by evaluating the nature of Fair Trade organisations in India, their priorities and the relationship they have with the welfare measures of the government on poverty alleviation and livelihood questions.

### **Fair Trade Organisations in India**

The study has used various indicators set across several themes regarding the Fair Trade related questions posed and explained at the very outset. So, various themes like the nature of the organisations, their targeted social goals, role of the government etc. have been devised to represent the responses from the various organisations and their MDs/ CEOs. Also the narrative has been built around the researcher's own experiences and informal and formal conversations with the various stakeholders and members of the Fair Trade Forum-India and WFTO-Asia. The researcher's own observation at the field consisting of the office of the FTF-I, the many organisations and the producing communities she visited, the Convention site, all have been used to look for answers and interpretations for the mandate of this chapter. Out of the existing about 120 FTOs in India, a random sample of about twenty organisations was taken for the purpose of the interview with the CEOs/MDs based on questionnaires, some of which were filled through e-mail correspondence and some through personal visits.

To begin with, it is noticeable that within the random sample of the Fair Trade organisations taken in India, most of the FTOs involve a small number of workforce. Table no. 4 clearly demonstrates that a majority of the FTOs have a producing community consisting of more than 250 producers/workers belonging to the production site of the organisation which consists of both home-based and factory or workplace based production. Also, about 20 percent of the FTOs either have only part-time producers or full-time producers but 60 percent in the sample have both types of producers. And this data adds to the interesting query as to how do the FTOs treatment of the full-time and part-time producers differ relating to the Fair Trade principles. This would be explored in the later sections.

**Table no. 4: Nature of Workforce in Select Fair Trade Organisations**

<b>Nature of Workforce in the Organisation</b>	<i>Number</i>	<i>Percent</i>
<b>Number of Workers</b>		
100-250	5	25
More than 250	15	75
<b>Types of Worker</b>		
Part Time	4	20
Full-time	4	20
Both	12	60
<b>Male</b>		
less than 50 %	8	40
More than 50%	12	60
<b>Female</b>		
less than 50 %	6	30
More than 50%	14	70
Total	20	100

The third important component of this table is about the gender composition of the workforce in the FTOs and very clearly and quite obviously because of the handicraft dominant nature of the FTOs in India about 70 percent of the FTOs in the given sample of 20 have more than 50 percent female producers. However this needs to be seen if the FTOs treatment of their female producers is just or not.

Further, table no. 5 raises three pertinent questions related to the basis of functioning of the FTOs in question. The three questions they were asked in this segment were whether the organisations have set some social goals through their operation. To this question, all of the FTOs in question, i.e. 100 percent of the organisations in question responded in affirmative. This was an expected outcome given that all these organisations are socially-oriented by nature or motivation.

**Table no. 5: Functioning Style or Mode of Operation of the FTOs**

<b>Functioning Style of the Organisations</b>	<b>Number</b>	<b>Percent</b>
<b>Do the FTOs set Social Goals?</b>		
<b>Yes</b>	20	100
<b>No</b>	0	0
<b>Part of Social Goals</b>		
<b>Number of workers in the field</b>	4	20
<b>Life quality of the workers</b>	20	100
<b>Working conditions of the producers</b>	13	65
<b>That the salary they receive is fair wage</b>	11	55
<b>Not distributing profits to individuals</b>	8	40
<b>Democratically involving members of its constituency in the governance of the organisation</b>	5	25
<b>Being independent organisations accountable to a defined constituency and to the wider community</b>	3	15
<b>Main Buyers of Product</b>		
<b>Europe</b>	16	80
<b>North America</b>	16	80
<b>Latin America</b>	0	0
<b>Africa</b>	0	0
<b>Asia</b>	7	35
<b>Australia</b>	3	15
<b>Total</b>	20	100



However, to stretch their affirmation in a more understandable manner, a set of social goals were given to them and they were asked to rank these social goals in priority when governing or operating their organisation. The social goals identified and chosen for the purpose of the questionnaire were chosen on the basis of the Fair Trade principles and goals identified by the Fair Trade movement's charter.<sup>82</sup>

An astounding hundred percent of the 20 FTOs in question replied that improving life quality of workers as one of their social goals in consideration. The second in number came the working conditions of the producers/workers with 13 organisations choosing it. The third most preferred option among social goals was the assurance that the workers receive fair wages with 11 organisations choosing deliverance of fair wages as one of their social goals. The number of workers in the field, the democratic organisation of workers in the organisation and non-distribution of profits to individuals only came as the less important part of the social goals as fewer organisations in question have chosen them as their social goals.

An important observation to be made here is regarding the first choice among social goals given to the organisations that is the number of workers in the field, which was chosen by the least number of organisations as a goal. However, during researcher's own conversation with the Indian Fair Trade network President and many other important officials of many organisations, the principle number 1 of the 10 Fair Trade principles i.e. creating opportunities for a large number of producers was given utmost importance especially citing the Indian scenario where the lack of opportunities in many hinterlands is a severe cause of suffering and thus according to them fairness in treatment and wages only comes secondary to that in such cases. Even in my own visits to at least six of the FTOs' producing communities, the field staff of the respective organisation chose to maintain that the utmost challenge and important goals for the organisation was to keep creating the demands and opportunities for the large number of people in their field.

The third question asked to the FTOs was regarding the markets for their products. And most of them, around 16 of the organisations' primary markets consisted of the Europe and North

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<sup>82</sup> The Fair Trade Charter as has been explained earlier in the thesis, is a single international reference point for Fair Trade, adopted by both the WFTO and the FLO or Fairtrade International, in the year 2009. The charter was intended to set the basis for future dialogue and co-operation among the FTOs-and between those organisations and other actors in order that Fair Trade fully develops its potential to secure greater equity in international trade.

America. Only 7 of the FTOs also had the market in Asia and 3 of the FTOs have markets in Australia. This points towards another important indication within the Fair Trade practice in India that despite it targeting the local consumers and raising awareness campaigns for its products, the primary markets for them still exists in Europe and North America. It also points towards an important factor in the Fair Trade business in India that the FTOs themselves face competition among each other to get hold of these markets and maintain the markets for these products owing to two reasons. Firstly, the market for handicrafts and textiles and similar items is already saturated in the countries of export. Secondly, maintaining a difference and uniqueness quotient among the similar products and innovating on the design component becomes very important fact as well as a difficulty for these organisations. Also, these FTOs not only face competition from within the country but from similar products from other FTOs from regions like Africa and Latin America, which perhaps explains why there is no market for these products in Africa and Latin America.

#### *Role of Government*

Table no. 6 deals with a very important issue of the role of government.

<b>Opinion of FTOs Regarding the Role of Government</b>	<b>Numb er</b>	<b>Percent- age</b>
Ensuring better schemes for the people in the unorganized sector in general	16	80
Recognizing Fair Trade through their targeted policies for the betterment of the sector	5	25
By providing better platform for the promotion of the Fair Trade products e.g. by procuring the Fair Trade products	6	30
Through the recognition of Fair Trade products as essential export items and promoting them at export level	6	30
Through certain tax exemptions for the Fair Trade certified organizations	10	50

Table no. 6 points towards the kind of role and involvement of the government the FTOs and their chiefs and staff expect and the importance given by the people in the Fair Trade community to the government. The very idea of Fair Trade as it exists today in India or in general in the post-mainstreaming phase of the Fair Trade is about creating a parallel world of justice and equity through private means and in a world dominated by NGO-style of functioning.

Despite this, a majority of the FTOs placed the role of government in an important position. The options given to them regarding the role of the government were designed in such a manner as to see what scope they think the role of government holds for the involvement and promotion of their cause. While 80 percent of the FTOs placed the role of government in good stead by choosing the role of government as ensuring better schemes for the people in the unorganized sector in general as important, the specific options related to Fair Trade promotion and procuring of Fair Trade goods and tax exemptions for Fair Trade products held lesser importance in the eyes of these organisations.

The reasons for the organisations responses regarding the government's expected and prospective role can be explained owing to at least three factors (which has been deduced from the informal conversations with many of the organisations' during the field trips):

Firstly, any involvement in their cause, even any direct positive involvement is seen by many of the organisations as giving the government an opportunity to regulate this sector which so far has not seen any involvement of the government directly. Whatever interaction or involvement the field of Fair Trade in India has seen of the government is indirectly just as a way to help people in the handicraft sector or farmers or those in the unorganised sector. Though the networking bodies of Fair Trade in India like the FTF-I are continuously working for the promotion of Fair Trade in the country and trying to make their presence felt as an important component and organised mass in the field of development of the people in the unorganised sector, they are yet to make any major inroads in this field.

The second reason that the organisations don't ask for much government support directly is because of the risks of delays and bureaucratic hassles in getting their work done on time and according to their own terms and conditions. Though a few organisations developed their work and support base out of the government schemes provided to the people in a region, but they are not necessarily looking for that support or dependent on them for their work in the course of time.

The third reason that the organisations seem to be building a parallel developmental regime of their own without the government's help is also inherent in the very nature of Fair Trade as a privately run institutional mechanism which is becoming more and more of an entity of organising and uniting people and organisations of similar nature and bringing to the fore its own capacity of providing development and justice quite in the places where the government or the state machinery has not been able to do so. Though this vision and way of doing things is always risky and completely trust-based with only internal accountability being the force behind its functioning but the whole mechanism of membership and certification is but only a means to develop that bond and trust between consumers and producers on the credibility of their organisations.

### *Role of Big Business*

**Table no. 6 deals with the issue of the role of big businesses in the Fair Trade sector.**

<b>Role of big businesses in Fair Trade</b>	<b>Number</b>	<b>Percentage</b>
They have a very crucial potential role in promoting Fair Trade	16	80
There could be a very symbiotic relation between corporate and Fair Trade certified organizations in India	12	60
They don't fit in the principles of Fair Trade, they use Fair Trade to enhance their corporate image only	5	25
They only accomplish some of the Fair Trade principles and bring in lack of transparency when measuring Fair Trade impact in the community	4	20

The responses received from the organisational heads and staff of the FTOs showed a general lack of clarity on the larger vision and motto of Fair Trade among them.

Firstly, 80 percent of the respondents felt that corporates played an important role in promoting Fair Trade. However, when asked about the possible symbiotic relations between

Fair Trade and corporate goals, 60 percent of organisations replied in affirmative. Similarly, the other two options regarding the use of Fair Trade by the corporates for enhancing their images and being contrary to the Fair Trade principles only saw 25 percent and 20 percent of the respondents, respectively. These responses point towards two inferences which could be possibly drawn from this question regarding the role of corporates:

Firstly, that the FTOs heads and the Fair Trade practitioners have a neo-liberal view of the things at hand and thus they are for the least government support and involvement and more for the potential and support of the big business companies and corporates.

Secondly, that the FTOs are not very clear about the actual meaning and intent of the Fair Trade movement and its larger goals thus limiting their own potential to contribute effectively to the lives of the producers.

It only points towards a clear lack of understanding of the larger purpose and evolution of the Fair Trade practice and its significance. In such scenario, Fair Trade's understanding and worth has just been reduced to that of the 'shaped advantage'<sup>83</sup> instead of its role as an active force for creating a world of 'alternative globalization' or 'decommodification' (Fridell 2006, 2007, 2010).

Too much focus on Fair Trade as 'shaped advantage' at the local level has resulted in disregarding of the important role of international political-economic forces by the Fair Trade theorists and practitioners in seeing the role it has played in shaping the daily lives of the Fair Trade practitioners, as well as so many more southern producers who exist outside of the ambit of the Fair Trade. Thus with the expansion of the neoliberal policies, significant decision-making related to the citizen's welfare have moved more to the control of the international financial organisations such as the WTO and the World Bank, whose short-sighted policies have had disturbing impact on the world's poor rather than being in the hands of the national governments completely (Stiglitz 2003).

Thus, Fair Trade in its most convenient and least challenging and conformist form has been accepted, visualised and propagated by the majority of the Fair Trade practitioners. It also

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<sup>83</sup> The view that Fair Trade project as a 'shaped advantage' is the least ambitious of the three views of Fair Trade as discussed by Gavin Fridell's many works (Fridell 2007). Thus the view of Fair Trade as a project of shaped advantage sees it as a mechanism for helping the local organisations in building their capacities to make up for the negative effects of globalization. However, 'as an alternative model of globalization' it seeks to be more inclusive for the poorest sections of the populace in the South, which have thus far been excluded from the gains of the international trade; and 'as a mechanism of decommodification' it has been looked upon as a challenge to the commodification of goods under the system of global capitalism.

casts serious doubt about the actual potential of it being able to provide any substantial help to its targeted populace given a limited understanding. It views Fair Trade as a potential source for providing social and economic well-being to the needy producers without understanding how structurally driven conditions impinge on their well-being. Thus an isolated effort in a world of structurally inept conditions for the marginal producers of the south who have been left to live on their own by the structure of the neo-liberal capitalist deregulated world economy promoted by a non-statist and corporate centric system driven by the international financial institutions as well as the global north, is not in any way being captured by the Fair Trade discourse of the present times. In general, with the practitioners being very much focused on their own individual organisational aspirations and efforts, the broader goals with which Fair Trade began its mission has been forgotten.

Thus the study's contention since the beginning that the potential and actual capacity of Fair Trade in bringing some positive changes in the lives of the marginalised sections of producers is limited only to some piecemeal effects rather than some substantive and long-lasting changes as is often presented by the supporters and promoters of the Fair Trade network, holds ground. The trust with which the consumers are asked to invest in Fair Trade goods of any kind is constructed around the rhetoric of bringing equity and justice through Fair Trade. While how much of it has been achieved by the FTOs in India in affecting the producer's life has been analysed in the previous sections of the thesis, the four organisations in India that have been dealt with in the study have presented this fact of bringing only piecemeal changes in the lives of the producing community quite clearly and emphatically.

However, Fair Trade in the eyes of the certification and governing bodies like WFTO and FLO and Fair Trade promoters such as Oxfam International, is not just about improving the capacities of its southern partners to survive and compete in the global economy but it is also about opposing and changing the unfair structures of international trading regime. To these organisations, the Fair Trade network has been about creating an alternative to the neoliberal policies promoted by the countries in the North and the international financial institutions like the WTO, the World Bank and the IMF (Fridell 2006, FLO 2001, and WFTO 2009). Such larger aims and objectives of Fair Trade have been mostly go unheeded and the growing trends in Fair Trade only point towards its impact and action being so limited that it is more closer to its analysis as 'shaped advantage'.

### *Towards Fair Trade: Motivations of Organisations*

The next set of questions is related to the motivation of the organisations in joining Fair Trade. As most of the organisations were already into some kind of social business, so the reasons for them choosing to get associated with Fair Trade, formed an important inquiry to understand the kind of views and expectations they have from their Fair Trade membership and association.

**Table no. 8: Organisations' Reasons for Fair Trade Membership /Certification**

<b>Reasons for the organisations choosing to get Fair Trade membership.</b>	<i>Number</i>	<i>Percentage</i>
To have access to the foreign markets	18	90
To be recognized by peers	18	90
To ensure good practices within the organisation	19	95
To give more opportunities to producers by paying a fair wage and ensuring good working conditions	20	100
To compete in the Fair Trade market	10	50
To generate social impact among the different targeted communities	15	75

As table no. 8 suggests, the options given to the FTOs were according to their own prospective reasons for joining the Fair Trade bandwagon. The two most important reasons chosen by the organisation is related to first, the welfare of the producers (giving more opportunities to the producers by paying a fair wage and ensuring good working conditions) which is chosen by all the organisations in question and second, related to the image of the organisation by ensuring good practices.

However, the two other most important reasons chosen by the organisations are the 'access to the foreign markets' and 'recognition by the peers' which is chosen by 18 out of the 20 organisations. These two options chosen by the organisations point towards the instrumental role that Fair Trade plays for these organisations by providing them the recognition in the

foreign markets through their Fair Trade membership and thus buyers form abroad and also the peer recognition which helps them in networking and learning from each other.

There are two dimensions involved in these responses: first, the goodness of the organisation and second, the goodness of its people. Though both these dimensions are neither opposed to each other nor mutually incongruent, but which one holds more importance is the key to knowing the motivations of the FTOs for joining the Fair Trade bandwagon.

The reading of the questionnaire and the conversations with the FTOs indicate that the welfare or the upliftment of the producing community doesn't form an end in itself for the FTOs; rather it is a means to get the Fair Trade tag attached to their organisation in order to get leverage within the international and domestic markets. Such a view is fraught with problems as, it involves compromises with many of the Fair Trade principles at many levels of the supply chain of the FTOs. However since they can't afford to lose their Fair Trade tag, minimum and face-saving device of the compromising/negotiable and non-compromising/non-negotiable principles are often talked about by the practitioners of the Fair Trade.<sup>84</sup>

### *Self-Assessment of Fair Trade*

This section deals with the important question regarding organisations' or FTO's own assessment about their work and the challenges they face in relation to operationalizing the Fair Trade principles.

Table no. 8 deals with a set of questions given to the FTOs related to the welfare of the producing communities working with them. Thus the organisations were given four options to test their commitment for the larger welfare of their producers and rank them according to the relevance of these options to their organisation. The first option given is the deliverance of fair wages which is a mandatory principle or non-compromising principle of Fair Trade. However, the rest of the three options are related to the social security and greater welfare of the producers to check their vulnerability.

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<sup>84</sup> The negotiable and non-negotiable principles are an Indian adaptation of and addition to the practice of Fair Trade. As discussed earlier also it talks about a few principles as non-negotiable ones on which no compromises are possible in implementation. These non-negotiable principles are principles like transparency and accountability, strengthening of producer capacities and better working conditions which have been identified as non-negotiating principles by the FTF-I.



**Table no. 9: Importance of General Fairness Principles for the FTOs vis-à-vis their Producers**

How important are the following principles in providing fairness to the producers in your organisation	<i>Extremel- y relevant</i>	<i>Somewha- t Relevant</i>	<i>Not irrelevan- t nor relevant</i>	<i>Somewha- t Irrelevant</i>	<i>Extremel- y Irelevan- t</i>	<i>Total Percentag- e</i>
Fair wages	20					100
Providing health and medical facilities for the producers and their families	5	11	2	2	15	100
providing for their children's education	7	3	5	5	10	100
Ensuring the future financial security of the producers	5	5	5	5	10	100

The above table no. 9 shows that for all the FTOs, the payment of fair wages is extremely important. However, as will be further explored regarding the calculation of fair wages in the next section and as has already been pointed out in the previous chapters that the organisations following the WFTO model of Fair Trade still don't have a clarity on fair wages and its calculation. The fair wages<sup>85</sup> as defined by the WFTO is equal to living wages in a country calculated by the organisations discretion and doesn't have any fixed criterion as of now to follow which makes it very open to dilution and hence the organisations view/perception about the payment of fair wages or living wages is also very subjective.

However, it needs to be pointed out that the other options given to the FTOs regarding the producer's social security didn't quite prove to be of concern as only about 30 to 40 percent of organisations ticked on the relevance of housing, medical, future financial security or the children of the families going to school. These questions were asked to examine the depth of the claims of Fair Trade and the actual tendency and commitment among the FTOs to implement those goals and claims based on which they claim that their organisation is different and thus attract the consumers based on the fairness and ethical claims. As already stated, fair wages is not just the only measure for it, when its calculation itself and implementation also remains doubtful at the ground level.<sup>86</sup>

The next table no. 10 related to the question of the 'Impact of Fair Trade on Producer's Livelihood and Standard of Living' has three sub-sections:

The first is related to the fair wages. Thus the question was regarding the setting up of the benchmark for fair wages by the organisations. The second question is related to the skill-development of the producers. The organisations were thus asked about the frequency of the training programmes for the producing community. The third question was related to the measures taken by the FTOs to ensure that the Fair Trade principles are followed by their organisation.

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<sup>85</sup>Fair wages as explained in the principle number four of the WFTO means a provision of remuneration (in the local context) which is socially accepted and considered by producers themselves to be fair. It should consider the principle of equal pay for equal work by women and men.

<sup>86</sup> Fair wages are supposed to be determined in a manner so as to provide a fair compensation to the producers based on the true cost of production, and are not based on any wage standards of the developed world like that of the North American or Europe. Fair wages are determined by a number of factors, including: The amount of time, skill, and effort involved in production, Minimum and living wages where products are made, the purchasing power in a community or area, other costs of living in the local context. (WFTO website)

**Table no. 10. Fair Trade's Impact on Producers' Livelihood and Standard of Living**

<b>Fair Trade's Impact on Producers' Livelihood and Standard of Living</b>		
	<i>Number</i>	<i>Percentage</i>
<b>Benchmark for setting wages</b>		
Market prices	8	40
Minimum wage decided by the government	10	50
Cost analysis	6	30
<b>Training/ skill-building programs/workshops for the workers/producers held by your organization</b>		
Depends on the needs of the organisation	18	90
Once in three months	2	10
Once in a month	3	15
Twice an year	2	10
<b>Measures: do you take to ensure that the Fair Trade principles are followed by and large by your organization</b>		
Regular training programmes for the producers	18	90
Forming of self-help groups among the producing communities,	10	50
Making producers part of the decision making of the organization,	11	55
Make the producers aware of their entitlements from the government policies	7	35
Internal monitoring system of our organization	4	20

The first query related to the fair wages is important to know the very basis behind the fair pay. About 50 percent of the organisations chose minimum wage decided by the government as the benchmark for setting the fair wages. 40 percent chose market prices as the option and 30 percent of the organisations said that they did cost analysis of the product before deciding the fair wages. Thus the highest weightage given by the organisation is to the minimum wages set by the government in an area pointing to the centrality of government as setting a benchmark wages

The responses related to the training/skill-building given to the producing community was also important to assess the organisations' intent and action about the value-addition in the lives of the producers rather than just extracting or capitalising on what skills they possess for their own organisational needs. The training also includes organising them and teaching them about their rights and the practice of Fair Trade and its principles. The response related to the skill development shows that training is provided on the basis of the needs of the organisation

rather than the needs and requirements of the producers. Thus about 90 percent of the organisations chose the option of ‘depending’ on the organisational needs’.

The third section dealing with the measures taken to ensure that the Fair Trade principles are adhered to by the organisation had several options to choose from. Here, 90 percent of the organisations marked regular training programmes as their priority in ensuring that Fair Trade principles are followed. This is quite opposite and contradictory to what we just observed about the regularity and scope of trainings in the organisations which is subject to the organisations’ needs. The second most chosen option at 55 percent of the FTOs was making the producers a part of the decision making of the organisation and the third option most chosen at 50 percent was the forming of self-help groups.

The other two options ‘making the producers aware of their entitlements from the government policies’ and ‘internal monitoring of the organisation’ did not seem to be very popular with the FTOs.

### *Challenges*

The next two tables (no 11 & 12) discuss the range of problems and challenges that Fair Trade organisations face in their functioning, the biggest being the financial constraints. Table no. 10 deals with the financial sources and sustenance of the organisation to get a grip about their mode of functioning. Sustenance of the organisation is very important and the source of its sustenance also important to know to learn about organisation’s working principles.

**Table no. 11: Financial Challenges Faced by the FTOs**

<b>Financial Challenges Faced by the FTOs</b>							
	<i>Extrem ely relevan t</i>	<i>Somew hat Releva nt</i>	<i>Not irrelev ant nor relevan t</i>	<i>Somew hat Irrelev ant</i>	<i>Extrem ely Ireleva nt</i>	<i>Total Percent age</i>	
<b>Sustenance of Organization</b>							
Investors money	20	10	45	5	20	100	
Seed funds	20	40	25	0	15	100	
Government schemes or subsidies	20	55	0	15	10	100	
Donations	10	50	15	10	15	100	
Third parties grant	15	30	10	10	35	100	
Loans	15	30	25	20	10	100	
Self-sustained	55	20	15	0	10	100	
Revenue	45	30	10	5	10	100	

As clearly seen from the table 10, 55 percent of the organisations feel that self-sustenance is extremely relevant to their organisation followed by 45 percent of the FTOs giving importance to revenue. The next in importance is government's schemes and subsidies and the donations to which about 50 percent have somewhat agreed to the importance for their organisation.

It clearly points that while the FTOs wish to be self-sustaining and running on the basis of the revenue generated by them, they cannot afford to let go of the governmental support or subsidies meant for the people of their organisations. Even donations and third party grants hold importance for them.

In terms of general challenges, according to many organisations, Table 11 indicates that 60 percent of the FTOs chose 'generating transparency and accountability for each player in the supply chain' and 'ensuring good working conditions because of the unorganised nature of

the work' as the most common problems faced by them. The second in turn came the lack of orders and the competition faced and the lack of public knowledge about Fair Trade.

**Table no. 12: Organisation's Evaluation of the Challenges vis-à-vis Fair Trade Principles**

<b>Organisation's Evaluation of the Challenges vis-à-vis Fair Trade Principles</b>		
	<i>Number</i>	<i>Percent</i>
<b>Problems in adherence of FT principles</b>		
Deciding or calculating the fair wages	4	20
Generating transparency and accountability for each player in the supply chain	12	60
Ensuring good working conditions because of the unorganised nature of the work	12	60
Lack of orders	9	45
Too much competition for Fair Trade buyers	8	40
Lack of public knowledge about Fair Trade	8	40
Perception of being expensive (niche category)	8	40
Lack of governmental support	2	10

This points towards the problems of the FTOs and the larger scene of the Fair Trade and its conditions in India where the unorganised sector of the work generates problems in ensuring transparency and accountability and good working conditions for the producers at each node of the supply chain, thus even the Fair Trade membership or certification doesn't not in itself have the transformative capacity to change the lives of the producers or to bring accountability in the organisation without a good and healthy environment for the people in the unorganised sector who are the targets of these FTOs. This again points towards the important role of the government in providing the much needed social security net and proper schemes with implementation for the unorganised sector people, be it farmers, artisans or labourers.

However, this has to be noted that this only points towards the limitation of such NGO driven private initiative which cannot go too far in achieving its goals without the state's intervention or the government's direct or indirect support. And the FTOs have only shied away from recognising the important role the government can play in this regard thus strengthening the hypotheses of this study that Fair Trade has been instrumental in bringing about piecemeal changes rather than structural changes in the lives of the producers in the

developing countries and that Fair Trade acts as an instrument of the neo-liberal forces thereby assisting in restricting the role of the state from the key areas of regulation and intervention through its claims of equity and justice.

## **Conclusion**

The above discussion under several themes has tried to present an overall picture of the FTOs and their role and perception regarding the important stakeholders in the Fair Trade practice in the Indian context. While the Fair Trade practice in India is gaining hold gradually with an increasing number of socially motivated organisations and individuals joining the membership and building the solidarity, this chapter attempted to get a glimpse of the organisations and the practitioners view and through that it has created a picture and analysis of the Fair trade industry in the Indian case. The politico-economic context involving the private sector and the governments' important role has also been looked through and the limitations of the Fair Trade network as also its fallouts have been analysed through the questionnaire based interview conducted and the researcher's own observance of the practice through her field visits. This points towards a complex and chequered pattern of gains from Fair Trade and indicate that Fair Trade requires more than just market mechanism to ameliorate the problem of structural unfairness built into the system.

## **Chapter 6**

### **Conclusion**

This study on Fair Trade in India has attempted to capture the Fair Trade practice, its externalities in terms of its situatedness and adaptive turn within the international political-economic contexts and regional compulsions. This study has built its central argument of Fair Trade being a neo-liberal instrument which in bypassing the role of the state is bringing only piecemeal changes in the lives of the producing community it targets. However, Fair Trade as a movement actually claims to bring its targeted populace out of their poverty-stricken and unjust situation in the society.

The study has undertaken this exercise through five major chapters. The first three chapters have been dedicated to discussing the existing literature and debates on the Fair Trade practice across the world in order to understand its expanse and its limitations. The other two chapters have been based on the field work conducted within India.

#### **Debates on Fair Trade**

The introductory chapter 1 has uncovered the existing literature on Fair Trade through certain themes including the debates on its merits and fallouts, the problems at the implementation level and even the idea and criteria of fairness that it has charted out through its evolution. It has also gone into the various case studies of Fair Trade undertaken across the world to find evidences for the work done across the major regions and products. Further, it has delved into the political economy of Fair Trade debate by examining the limitations of a consumerist movement like Fair Trade. The chapter has also discussed the rationale, scope and research methods in addition to providing a detailed account of the fieldwork undertaken in India to examine the mechanics of Fair Trade.

Chapter 2 titled “The History, Evolution and Theoretical Debates on Fair Trade” has traced the history of the Fair Trade movement through its ideological and politico-economic moorings in its more than seven decades of history of evolution. It has brought out several important takeaways like the historical compulsions for the adaptation of the Fair Trade practice and its move towards the free market and neo-liberal setup against which it began its journey. This chapter has traced the journey of Fair Trade from its alternative trade focus to the mainstreaming of the practice through a change in its path from niche market and



dedicated shops to mainstream retailing channels in various ways and forms. The important point being the international politico-economic circumstances pushing the practice of Fair Trade in this direction, thus increasing its sales volume. But this increase in sales has been associated with fall in Fair Trade credentials because of dilution in commitment by the mainstream players of the Fair Trade whose focus has been more on profit and less on principles. This chapter has also analysed the practice and movement of Fair Trade vis-à-vis free trade and vis-à-vis neo-liberalism doctrine. This has been done to bring out important departure points and differences between the Fair Trade movement and the free trade principles ruling the world through the international financial institutions like WTO, the World Bank and the IMF. This was important in answering the important question that ‘how does the Fair Trade movement mark a departure from the free trade practice?’ Given that the movement of Fair Trade has been defined to lie in the paradox of being ‘both in and against the market’, of late the commercialisation of the Fair Trade movement has brought it more closer to being ‘in the market’ and moved it away from its earlier stance of ‘against the market’ (thus leading to the ‘conventionalization of the Fair Trade practice’). The historical examination of the movement and practice of Fair Trade has helped in tracing the ideological and political roots of the practice of Fair Trade.

The third chapter “Fair Trade across the Global South” has dealt with the practice and intent of the Fair trade through the lenses of the producers and practitioners of Fair Trade from the southern countries, the ones whose benefits and upliftment it claims to have worked for. Thus the narrative of this chapter unfolds around the question of its changing nature and the changing demands and needs for the producers to have a stronger say in the movements’ decision making and course correction. The important highlight being that even though the target populace of the movement has been the producers in the Global South, their equal representation into the system of Fair Trade had to be fought for. It is imperative because the hijacking of the Fair Trade world by the north has been happening intermittently throughout the movement’s history. Various facts regarding the expanse and outreach of the Fair Trade movement across the various continents of the global south has been traced. Also, the regional variations and specificities in each of the continents of the global south, viz. Asia-Pacific, Africa and Middle East and Latin America and the activities and activeness of each of the regions and its producing communities in building and having a say in the movement has been discussed.

## **The Indian Evidence of Fair Trade**

This part of the Indian evidence of Fair Trade unfolds through two chapters, one which discusses the producer's side of the story and the other which talks of the practitioner's side of the story.

The chapter 4 titled the "Fair Trade, Social Justice and Poverty-Reduction: Analysing the Evidence" has traced the findings of the field work done with the four Fair Trade organisations taken up as case studies within India. The central focus of the discussion has been to assess the impact of Fair Trade on livelihood and poverty questions of its producing community. Thus four organisations were taken up, namely, Chetna Organic in Telangana, Fair Trade Alliance Kerala in Kerala (both these organisations belonging to the product certification route in Fair Trade), Eco Tasar (with its producing community in Bihar, Jharkhand and Noida, NCR) and Kara Weaves in Kerala (both of these organisations belonging to the organisational membership stream of Fair Trade). It has been found that irrespective of the geographical and developmental variations and compulsions of the four communities and societies and organisations in Fair Trade, Fair Trade as a practice has failed to bring any substantial changes in the lives of the producing community it has targeted, bringing only piecemeal changes in their lives. Thus the major questions related to their poverty and livelihood remain unaddressed in case of the poor communities, the impact being only superficial at the level of little monetary (in most of the cases) gains in two of the organisations. However, as organisations dealing with social goals, these endeavours had some empowering role among the communities by uniting them and training them (seen in at least two of the four case-studies). But, overall the evidences were very limited terms of their impactfulness in the lives of the producers.

Chapter 5 titled "Fair Trade in India: An Examination of the Politico-economic Linkages" has examined the functioning of the Fair Trade Organizations and its implementation in India thus bringing into focus the critical politico-economic questions through the questionnaire based interviews conducted with the various FTOs in India. It has evaluated the work of several FTOs in the field, their priorities and the challenges that they face and most importantly the role and place of government and business/corporates in the field of Fair Trade. Thus a set of about 20 FTOs were asked to respond on the relevant politico-economic themes related to the Fair Trade practice. The Fair Trade practitioner's views from 20 FTOs were taken on the important questions related to the Fair Trade practice in India, like the role

of the government, the role of big business corporations, their own social goals and the challenges faced by them in implementing those goals, the constraints faced by them as a Fair Trade Organization. These questions have been given importance because of their significance as vital questions related with the political-economic structure of the Fair Trade movement and its functioning in India.

This study is an attempt to analyse the varied practices of the Fair Trade practices in India by doing a critical examination of the practice through the lenses of both the producing communities or the beneficiaries and the practitioners or the officeholders of Fair Trade in India.

This study has tried to critically enhance the debate on Fair Trade because it being an important developmental intervention run by non-state actors gaining grounds in India needed to be studied. It places the practice of Fair Trade and its relevance vis-à-vis the important role of the state in a country of the south, here India, this being an important area of query in the era of globalisation and liberalisation, posited on the withdrawal of state from many key areas of intervention in the lives of its populace.

## **Major Findings**

The major findings of this study are related to answering the pertinent questions raised by the study related to the situatedness of Fair Trade in its historical and politico-economic and regional constraints defined by the compulsions of the international nature. Thus the assumption that Fair Trade in bypassing the state actually follows the same market based neo-liberal route against which it began its journey, stands validated. Thus the paradox of 'in and against the market' through which Fair Trade has often been defined is giving way to the movement of Fair Trade being situated in the very system of free trade and market in the recent times. These findings have been substantiated by the evidences from India obtained through the field work done in the various regions where no fundamental changes were found to have taken place at the ground-level where the practice of Fair Trade meets its producing community and claims to work for their upliftment. So, in terms of bringing changes in the lives of its targeted populace, only piecemeal changes were observed. No evidences of any life altering impacts such as changed class or social situatedness of the producers was found thus validating the second main assumption of the study that Fair Trade helps in bringing only piecemeal changes in the lives of its producing communities.

This study has examined the multilayered dimensions of the Fair Trade practice, which as a movement started first in the northern part of the world to benefit the poor producers located in the South, thus building its foothold in the post war division of the world into developed and underdeveloped (north and south) and very clearly, adding its own dimension of the differences and division of the world between that of the producers and consumers. The unequal terms of trade which have existed spanning this north-south divide (read developed-underdeveloped divide) between the producers as the most disadvantaged node of the supply chain of a commodity/product and the consumers buying those very products at the other end, has been at the centre of this debate and the core of the idea behind Fair Trade. Fair Trade thus talks about good intentions and has a well-planned strategy devised by the concerned consumers of the world towards creating an equitable and just place and position for the producers of the commodities of their consumption. Thus the very idea is to benefit the most neglected node in the process of the production- the producers. Since, the commodities of Fair Trade have their production base in the underdeveloped parts of the world where the producer community has been known to exist in the most exploited conditions, Fair Trade movement has now expanded its network of activities for a very wide range of products as well as producers in these regions to target more and more populace. In this way, it has now expanded itself from small-scale producers to that hired labour and big plantations and for each of these set of producers, it has a different set of standards to be followed. This expansion has created ripples within the Fair Trade movement in terms of the interests of small producers being affected by and hijacked by that of the big layers like plantation groups.

Thus, a practice which started off as a mechanism for getting some handicraft items from poor refugee women in Puerto Rico and Jordan being sold in the US graduated to a huge scale with a number of different types of actors and players involved and changing the direction of Fair Trade. Thus, the movement of Fair Trade has created its own setup of institutional structures and bureaucracy with its growing expanse and complexity which has been dealt in the second and the third chapters of the thesis.

This study attempted to paint a holistic picture of Fair Trade practices in India. It analysed Fair Trade as an emerging practice and the functions and repercussions it had on the targeted audience of the Fair Trade practice. The Fair Trade's Indian adaption (pointed out by the Fair Trade Forum-India for its member organisations) focuses on some of the non-negotiable principles out of the ten Fair Trade principles. These non-negotiable principles are the ones

on which any compromise of any sort is not to be tolerated by the Fair Trade practitioners. However, the Indian part of the Fair Trade practice witnessed through the case studies taken, observed dilutions in some parts of the supply chain of one of its member organisations whose producing community is situated in the underdeveloped parts of Bihar and Jharkhand making the organisation take pride in just the fact that it generates employment opportunities for them. However, the question of their remuneration and other social security is not being taken care of, as the Fair Trade principles require an organisation to follow. The same organisation follows the standard rules and practices for its Noida based factory where conditions appear better in terms of remuneration, working conditions. This pointing towards the regional variance because of the lack of regulatory and intervening role of the state in the rural hinterlands of Bihar and Jharkhand. However, the face of the organisation being the Noida factory follows the minimum standards of fairness.

Similarly, in case of the other organisation member of the FTF-I from Kerala, it was seen that the organisation was using the government co-operatives of weavers as their captive group of producing community using their decentralised democratic structure as the default criteria for fairness. It was observed that these producers were much better than their counterparts in the hinterlands of Bihar and Jharkhand. Thus, it points towards the fact that the regional and local structures of fairness standards also affect the Fair Trade credentials of an organisation, hence questioning their actual Fair Trade credentials.

The field work for this study on Fair Trade was conducted in geographically and economically diverse states/regions in India in order to capture the role of Fair Trade more accurately. Interviews with FTOs heads and staffs were conducted to gain an insight into the view they have of their own work, the role of the market and government and their priorities of working in Fair Trade. It helped in making an assessment about the practitioners' view about the various issues related to Fair Trade in India.

### **Summarizing the Study**

Three summary arguments conveyed by this study are as follows:

Firstly, Fair Trade in India is an important platform to bring together many organisations working on ethical trading principles to make them gain from mutual experiences of networking, better market access, capacity building, building and tapping the export sector

etc. But Fair Trade may not be able to bring much changes in their organisational functioning or their performance for the producing communities (who are the main targets of the Fair Trade and the FTOs) if the organisation is not committed to its central goals. So, the credit for the performance or not of the organisation/s cannot in full certainty be given to the practice or movement of Fair Trade but rather to the organisation/s' own principles or capacity.

Secondly, the role of government in a country like India cannot be overshadowed by a practice like Fair Trade. Even as a practice like Fair Trade talks of justice, poverty alleviation and equity in trade and through trade, it has its own limitations and as many scholars have argued, it often ends up benefitting not the poorest among the poor but rather the less poor among the poor. Therefore the role of government is essential in not only monitoring its working but more importantly to set the appropriate minimum wages and minimum support price mechanisms against which a practice like Fair Trade could be scaled.

Thirdly, there doesn't exist one Fair Trade uniformly across the world or even within India. There is a hierarchy of organisations working within the Fair Trade world. Thus, some members are guaranteed members, however others are just part of the country level networks. This makes the task of Fair Trade identification little cumbersome for the consumers because of the multiple levels of Fair Trade gradations even among the FTOs. Thus, putting a question mark on the trust based identification of the Fair Trade products by the consumers and also putting this practice into a questionable zone for its performance.

In India and in countries like India, where Fair Trade is aiming at targeting the poorest of the producers, Fair Trade cannot be given full credits for the achievement of the goals it claims to achieve. The massive literature on Fair Trade and the field work on Fair Trade within India undertaken as a part of this study has demonstrated that it has grown into a very complex paraphernalia and even though it claims to make it easier for consumers and producers at both the ends of the supply chain to reach a decision regarding the product of their consumption/ production respectively, it is anything but that. Owing to the many variants of the Fair Trade in the Fair Trade industry/network, it appears to be unified by only one point, which is the fairness of intentions.

At the very beginning of the study, the two assumptions of this study were:

Firstly, Fair Trade has been instrumental in bringing about piecemeal changes rather than structural changes in the lives of the producers in developing countries.

Secondly, Fair Trade acts as an instrument of the neo-liberal forces thereby assisting in limiting the role of the state from the key areas of regulation and intervention through its claims of equity and justice

It has been found that the market rootedness and neo-liberal instrumentality embedded in the Fair Trade paradigm needs to be checked through various ways and means in order to gain from the practice of Fair Trade in India. It is therefore important to demystify the Fair Trade industry because despite all the claims of its targeting the marginalized artisans and producers, getting them into long-term partnerships and bringing them directly in touch with the consumers, there are variances at the application level. These variances exist owing to the regional compulsions, difference in the societal and state's criteria for fairness and minimum welfare as also because of the organisation's own principle and commitments. And all these factors have led to do with Fair Trade per se and more to do with the externalities attached with this practice.

The lack of clarity on their position on the role of state, the centrality of neo-liberal orthodoxy is very much noticeable among the practitioners. Most of the respondents from FTOs held positive opinions about the role of the big corporations in the arena of Fair Trade. The deep lack of ideological clarity and also of the origins of the Fair Trade movement in general amounts to the organisations and their representatives talking exclusively on the issues of addressing poverty, inequality injustice without actually relating it to the ideological or politico-economic strings attached to the very system.

Thus, among the many reasons for the organisations in joining the Fair Trade bandwagon, one of the very important one is to get themselves access to the international markets and link them to consumers who are given guarantees about the fairness of the production processes through a range of certification mechanism of the products that they consume. In the overall analysis however it does not go beyond the frame of ethical consumption, remains a voluntary act, a choice and hence has not been able to bring about fundamental changes in the lives of producer communities in India.

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## **ANNEXURE NO.1.**

### **CORE FAIR TRADE PRINCIPLES GIVEN BY WFTO**

Presented below is the list of the core Fair Trade principles that apply to all FTO's of Fair Trade products, whether they are WFTO members or not. These aspects should be monitored by the FTOs through their Internal Monitoring System.

1. Creating opportunities for small producers or other marginalised groups.
2. Transparent and accountable business relations with suppliers and customers. Producers and workers are given a chance to participate in decision making processes and have a voice within their organisation.
3. Responsible and trade fairly. The organisation pays producers on time and according to mutual agreement. They handle quality problems fairly.
4. The organisation pays a fair price to producers, as mutually agreed by both sides.
5. No child labour or forced labour.
6. Commitment to non-discrimination, gender equity and freedom of association.
7. Ensuring safe and fair working conditions. The organisation pays at least the applicable minimum wage, provides legally required benefits and manages working hours responsibly.
8. Where possible, assist in developing the capacity to support the marginalised producers that they work with.
9. The organisation is expected to provide truthful information about its organisation (including prices to producers) to the Fair Trade buyer.
10. Respects the environment and where possible sources raw materials responsibly.

**ANNEXURE NO. 2.**

**QUESTIONNAIRE FOR THE FAIR TRADE PRODUCING COMMUNITY  
(WORKERS/FARMERS) COVERED DURING THE FIELD WORK.**

1. What is your name?
2. What is your age?
3. What is your caste?  
i) SC ii) ST iii) OBC iv) General
4. What is your religion?
5. What is your education level?  
i) illiterate ii) below matric iii) matric iv) intermediate v) graduate
6. What is your marital status?  
i) Single ii) Married
7. How many dependents are there in your family?
8. How long have you been working in this organisation?
9. How did you come to know of this organisation?
10. Do you have other kin also working over here or similar organisations?
11. What is the place of your permanent residence?
12. What is the place of your present residence?
13. How far is it from the workplace?
14. Have you heard of the practice of “Fair Trade”?

If yes, tell us something about it.

15. Do you know that child labour is prohibited according to the principles followed by your organisation? Tell us if you see any such case of child labour being used in your organisation in any form.

16. Does the organisation guarantee that the children of the workers are not involved in any form of labour and sent to school?

17. Does the organisation provide you with medical and health care facilities? If yes, in what form?

18. Does the organisation follow the eco-friendly technology and promote environmental sustainability through its efforts? If yes, tell us how?

19. Does the organisation involve workers like you when it comes to decision making on crucial issues related to production, management, marketing of products?

20. Are you aware of the minimum wage in the area and do you feel you are fairly paid and worth your labour?

21. Are workers of both genders paid equally in the organisation?

22. Does the treatment meted out to women workers in terms of security, skill-development and workload follow gender equity norms? Explain.

23. Do you know who the consumers of your product are? And that consumers pay much higher prices for the products produced by you?

24. Are you aware of the fact that the higher prices paid by the consumers are supposed to be utilized in various forms like skill-development, health and education facilities for your families?

25. How far do you think your organisation has been capable of doing it?

i) partially ii) fully iii) not at all

26. How often are the meetings of the producers like you are held for discussing crucial issues and transmitting important information?

i) once a month or more ii) once in two months iii) even lesser than that

27. Are you trained regularly for skill development through workshops related to your work?

If yes, how often?

i) once a month or more ii) once in two months iii) even lesser than that

28. Do you think, working with this organisation has increased your organisational skills and empowered you in any other way? If yes please elaborate.

29. How is this organisation different from the other organisations you have worked with?

i) better or worse in terms of salary.

ii) better or worse in terms of work environment.

iii) better or worse in terms of safety.

30. What is your present monthly income?

31. What do you feel the government can do for workers like you and the organisation where you are working?

33. Any other observations?



### **ANNEXURE NO. 3.**

#### **QUESTIONNAIRE ON FAIR TRADE FOR THE FTOS (FOR THE FAIR TRADE PRACTITIONER ORGANISATION'S HEAD AND MANAGING COMMITTEE MEMBERS)**

1. Name
2. Age
3. Gender
4. Educational Training
5. How long is your association with the Fair Trade practice?
6. When was your organisation founded?
7. What are the products you are involved in?
8. When did it acquire Fair Trade membership or certification?
9. How likely is the compliability with the certifying norms of the World Fair Trade Organization in a developing country like India?
10. What are the challenges faced by the FTOs in implementing the Fair Trade principles in a country like India?
11. What are the measures you take to ensure that such norms as non-use of child labour, environmental sustainability, capacity building and empowerment of workers etc. are achieved in your organisation?
12. How often are the training programs or workshops for the producers/ workers held in your organization?
13. How do you sustain the organisation with so many things to be done with the extra price/premium paid for the products?
14. Do you have any other funding sources?
15. What percentage of your sale is spent on advertising and campaigning for your products?

16. Who are the buyers of your products? Do you export? If yes, which are the major countries or companies where you export?
17. How many people work with your organisation?
18. Have you seen a surge in demand for Fair Trade products within India over the years? If yes, can you please specify over what period of time it has and owing to what factors?
19. What is the role of the government in the practice of Fair Trade? Do u think by making a specific law or provision, it gets a boost?
20. What do you feel the role of government in India could be to encourage the practice's outreach and effectiveness?
21. Do you think Fair Trade practice can flourish well with the government's intervention or without it in a free market situation?
22. What are some of the changing dynamics in the Fair Trade industry in recent years? Please clarify some changing features through the example of even your organisation.
23. What role do big business corporates play in the Fair Trade industry?
24. How do you think the corporates can enhance/ deteriorate the Fair Trade situation in a country like India? Please specify reasons for the same.
25. Do you feel that Fair Trade Organizations like yours and other such organisations are able to satisfactorily generate sustainable livelihood, empowerment and development among the producers?
26. What more could be done for better results on the part of the government, corporate houses or the certifying agencies or any other players involved in the whole chain?
27. Any other observations?