

# Fair Trade

## Introduction

Fair Trade can be defined as „a system of certification that aims to ensure a set of standards that are met in the production and supply of a product or ingredient. For farmers and workers, Fairtrade means workers' rights, safer working conditions and fairer pay. For shoppers it means high quality, ethically produced products.“<sup>1</sup>

The purpose of this certification is to provide growers, workers and artisans from poor countries such as Africa, Asia and Latin America with the opportunity to earn a living from their own work under decent conditions. *“There are over eight hundred Fair Trade certified producer organization on four continents: Africa, Asia, North America, and South America.”*<sup>2</sup> Under the Fairtrade system, growers and workers receive a purchase price for their goods that is commensurate with the cost of growing or producing them, while allowing them to earn a decent living. *“Fairtrade, like any market trading system, depends on a whole network of willing participants from producers to packers, processors, distributors, exporters, importers, retailers and consumer.”*<sup>3</sup> Fairtrade means fairer trading conditions, respect for human and labour rights and environmental friendliness. *“In the 1990s, the Fairtrade system of alternative business practices became more formalized with the creation, in 1997, of the Fairtrade Labelling Organizations International (FLO). Certified ‘Fairtrade’ is a system of social and environmental standardsetting, monitoring and labelling.”*<sup>4</sup>

According to the World Fair Trade Organization (WFTO), there are ten principles that its member organisations must follow every day. These principles are:

1. Opportunities for disadvantaged producers.
2. Transparency & accountability.
3. Fair trade practices.
4. Fair payment.
5. No child labour, no forced labour.
6. No discrimination, gender equality, freedom of association.
7. Good working condition.
8. Capacity building.
9. Promote fair trade.

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<sup>1</sup> Fairtrade Foundation [online]. 2021 [cit. 2021-12-18]. Dostupné z: <https://www.fairtrade.org.uk/>

<sup>2</sup> APRIL LINTON. *Fair Trade From the Ground Up: New Markets for Social Justice*. 2012. ISBN 9780295991726. Dostupné také z: <https://search.ebscohost.com/login.aspx?direct=true&db=nlebk&an=481742&scope=site>

<sup>3</sup> HERMAN, Agatha. Asymmetries and opportunities: Power and inequality in Fairtrade wine global production networks. *Area* [online]. 2019, **51**(2), 332-339 [cit. 2021-12-19]. ISSN 00040894. Dostupné z: doi:10.1111/area.12467

<sup>4</sup> KLEINE, Dorothea. Negotiating Partnerships, Understanding Power: Doing Action Research on Chilean Fairtrade Wine Value Chains. *The Geographical Journal* [online]. 2008, **174**(2), 109 [cit. 2021-12-19]. ISSN 00167398. Dostupné z: <https://search.ebscohost.com/login.aspx?direct=true&db=edsjsr&an=edsjsr.40205207&scope=site>

## 10. Respect for the environment. <sup>5</sup>

Fair trade is about giving one group a certain advantage over another. The question is therefore to what extent this advantage is fair within the market.

The aim of this essay is to explain the principles and evaluate their contribution, criticize them if necessary, and offer solutions.

The structure of the work will be such that each principle will be explained and then I try to evaluate them.

### **Text of the essay**

#### 1. Opportunities for disadvantaged producers.

The main objective of fair trade is to reduce poverty through trade. It is about supporting not only small disadvantaged producers, but also independent family businesses or trade groupings in various associations or cooperatives. Each organisation must have a plan in place to achieve economic self-sufficiency and ownership. The challenge is to move from financial insecurity and poverty to the aforementioned self-sufficiency and ownership.

Advantaging smaller producers from one country may negatively affect producers from another country. Therefore, such favouritism may appear to be negative. However, in the case of fair trade, we are dealing with producers from developing countries, who often do not even have basic needs such as housing, education, food, etc. In my opinion, this favouritism is fine because it is intended to ensure that people have a decent life.

#### 2. Transparency & accountability.

A transparent organisation means that the organisation must be transparent in its governance and business relationships. Accountability means that the organisation is responsible to all stakeholders and respects the confidentiality and sensitivity of business information. The organisation involves employees, members and producers in the decision-making process. It ensures that business partners receive relevant information. Open communication at all levels of the supply chain is also important.

Transparency has the advantage that suppliers and customers have accurate information. The supplier knows who it buys from and the buyer knows who it sells its products to. On the other hand, commercial information must be protected to prevent its misuse. For this reason, the topic of transparency is somewhat controversial. At present, fair trade is mainly about agricultural production, and there are no major innovations that could be abused.

#### 3. Fair trade practices.

The organisation trades with a view to social, economic and environmental benefits for disadvantaged small producers. The organisation does not seek to maximise profit at the

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<sup>5</sup> World Fairtrade Organization [online]. 2021 [cit. 2021-12-18]. Dostupné z: <https://wfto.com/>

expense of these disadvantaged producers, acts professionally and responsibly and, last but not least, meets all its obligations on time. On the other hand, the suppliers respect their contracts and deliver their products on time and to the agreed quality.

*"Upon request, interest-free prepayment of up to 50% of the order can be made."*<sup>6</sup>

The organisation maintains long-term relationships based on solidarity, trust and mutual respect that contribute to the promotion and development of fair trade. The trading parties shall strive to increase the volume of mutual trade and the diversity of products offered. The purpose is to develop fair trade and to increase the income of the producers involved.

Fair trade promotes, values and protects the cultural identity and traditional skills of disadvantaged small businesses.

Fair trading practices are related to the previous point, which is transparency. Since the suppliers are mostly farmers with no training, fair dealing is a way to involve more local people. In this case, the suppliers are assured that they will be treated fairly and will not be deceived in any way.

#### 4. Fair payment.

A fair price is a price that is negotiated and agreed after mutual dialogue. It is a fair remuneration for producers and also sustainable from a market perspective. A price set under the fair trade system is fair and is understood to be a minimum price. *„When the product is sold on Fairtrade terms, the producer receives a minimum price and a social premium. The social premium is an additional sum of money.“*<sup>7</sup> It is a price that is fair from the producers' point of view and also respects the principle of equal pay for men and women. A fair price is understood as a socially acceptable reward in the local context.

*„In business ethics the prevailing view is that work aiming at growing rich is not contrary to man's dignity.“*<sup>8</sup> Fair pricing is a great tool that guarantees producers the certainty of earnings. They are not so dependent on fluctuations in world prices. This gives them a secure income from which they can finance their families, their homes and the development of their businesses. This instrument of fair trade is an advantage for the producers because as their business develops, they can make more profit and their social status can increase.

#### 5. No child labour, no forced labour.

The organisation guarantees that there is no forced labour for its employees, members or artisans working at home.

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<sup>6</sup> DOLEŽALOVÁ, Hana. *Fair trade: výzva pro všechny*. Praha: Grada Publishing, 2021. Expert (Grada). ISBN 978-80-271-1220-3.

<sup>7</sup> MOOK, A. a C. OVERDEVEST. Fairtrade credentialism: towards understanding certified producer organizations' perceptions of Fairtrade as a credential. *Globalizations* [online]. 2020, **17**(1), 110 - 125 [cit. 2021-12-19]. ISSN 1474774X. Dostupné z: doi:10.1080/14747731.2019.1638113

<sup>8</sup> KMEC, Miroslav a Marek PRIBULA, ed. *Business, ethics and personal management: [zborník příspěvků]*. Brno: Stuaire, 2009. ISBN 978-80-86441-41-2.

The organisation sourcing Fairtrade products guarantees that no forced or child labour has been used in the production process. The involvement of children in the production of fair trade products must always be reported and monitored to ensure that health, safety, education and leisure are not compromised.

No person should be forced to work, and certainly not children. In my opinion, it is right that the organisation should see to it that this principle is upheld.

6. No discrimination, gender equity, freedom of association.

The organization avoids discrimination on the basis of race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political beliefs in decisions about employee selection, wages, promotions, terminations, etc.

The organization promotes equality between the sexes by allowing them to become full members of the organization regardless of whether they own land or property. If the organisation employs women, they are paid the same wages as men for the same work. The organisation takes into account the specific health and safety needs of pregnant and lactating women.

Gender equality is an issue even in developed countries where the playing field is not level. Fair trade organisations monitor compliance with this rule in developing countries, which is great these days. In these countries, women are often housewives and have no access to education or business. It is necessary to involve women in business so that they can make their own decisions about their social situation and are not dependent on men. Men and women must certainly have the same conditions and access to everything. Women must not be put in the position of not being able to make decisions about themselves and their situation.

7. Good working condition.

The organization maintains a healthy and safe working environment for its employees, at a minimum, in accordance with national and local laws and also complies with the International Labour Organization (ILO) Convention on Health and Safety. This includes compliance with working hours and working conditions. There is an effort to raise awareness and improve health and safety practices.

Compliance with workplace safety must be standard to avoid unnecessary injuries or accidents, or in the worst case, death. If a death occurs in a developed country, it can worsen the situation for the rest of the family.

8. Capacity building.

Fair trade organisations work to improve the situation of small disadvantaged businesses.

The organisation seeks to develop the skills and capabilities of its members. The organization helps to improve management skills and production processes so that they gain

a better position in local, regional and international markets. Organizations that deal in fair trade products thereby support capacity development of disadvantaged producers.

Capacity development is linked to the education of members and increased job positions for other members. This development will lead to an improvement in the social and financial situation of other people, which is a very positive impact. In addition, it will result in the more people who join fair trade organisations, the less they will suffer from poverty.

#### 9. Promote fair trade.

Through fair trade, the organisation aims to raise awareness of fair trade and the need for greater fairness in global trade. The organisation promotes fair trade activities and objectives to the best of its ability. The organisation uses only fair means of marketing and promotion and provides its customers with all information not only about the products, the production processes, but also about the organisations that produce the products.

There is little promotion of fair trade products and it should be supported, for example, by advertising. This would increase awareness of the fair trade brand. People should also know more information, especially about the benefits of the fair trade label.

#### 10. Respect for the environment

Fairtrade products use sustainably sourced raw materials as much as possible. Their production processes reduce energy consumption and also seek to incorporate renewable energy technologies. These energies are designed to minimise greenhouse gas emissions. Efforts are also made to reduce waste on the environment. Environmentally friendly production methods are used in agriculture with minimal use of pesticides.

Importers and buyers of fair trade products prefer products from sustainable sources with minimal environmental impact.

All organizations strive to maximize the use of recycled and biodegradable materials and goods are shipped by sea.

The environment is a highly debated topic. People prefer products that have a positive impact on the environment. The promotion of a fair trade brand should be based on the benefits it brings to the environment.

### **Conclusion**

Fair Trade shows an alternative trading option that seeks to establish a relationship between consumers and Fair Trade producers around the world.

Fair Trade should serve as a tool to help developing countries. Under Fair Trade, there are no standards that regulate the final selling price of products, which is why it is often the case that Fair Trade products are overpriced due to mark-ups by traders. Standards should be introduced to regulate the final price of the product in shops and thus prevent excessive

trade mark-ups. The introduction of a minimum farm gate price for agricultural products overly supports agriculture at the expense of other sources of livelihood.

Higher purchase prices do not motivate producers to move into more productive sectors such as manufacturing. Conditions should be set so that Fair Trade growers are not just farming and exporting unprocessed crops, but are allowed to process their crops on favourable terms with a higher price premium in the market.

There are many benefits for producers in engaging in the Fair Trade concept. Producer cooperatives, into which producers are recruited, replace the role of the state in many cases, providing them with training and education programmes, paying for members' health care and paying their pensions. The social premium received by the cooperative enables members to receive various training courses under the guidance of agronomists and agrotechnicians. At these training courses, they are given advice on environmentally friendly cultivation.

The fair price and improved living standards can serve as an incentive to continue working in the fields, to learn and to strengthen one's position in society. Fair trade also helps to empower women and strives for gender equality, which is a positive step, as a woman should not be seen as just a housewife but should be able to provide for her family finance in the same way as a man. The ban on child labour is also an important point.

The fair trade concept should be criticised for the fact that, as a result, it does not focus on the poorest individual small-scale growers, but rather on medium-sized growers, i.e. the grouping of several people in cooperatives. Grouping growers together in cooperatives can have a positive effect on growers, as it creates a shared community, which is then developed through the finance raised.

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