

Małgorzata Zajaczkowski
Warsaw School of Economics
Collegium of Socio-Economics
Institute of International Studies
e-mail: mgraci@sgh.waw.pl

Ethical aspects of the world trading system on the example of Fair Trade*

Abstract

The effect of globalization is not only an improvement of living conditions in developing countries, but also a widening of development disparities and economic inequalities between countries of the rich North and the poor South. The Fair Trade can be considered as a response to emerging problems of development. Therefore, it can be perceived as a form of assistance directed to the marginalized producers in the Global South by enabling them to manufacture, sell and distribute goods to markets in developed countries. This is an alternative to the existing formula of international trade; whose aim is to help producers in the South by integrating them into the current trading system under certain conditions. The idea is to create a new business relationship between producer and consumer, where the production and consumption are bound together in a new supply chain and where the economic benefits are distributed more fairly. It means that the prices of Fair Trade products are set at a level that would ensure a steady income to the producer and would lead to raising their living standards and prosperity. The ethical aspects of the Fair Trade system are clear. The problem is whether the Fair Trade standards can be used on a wider scale in the global economy, whereas there is an evident clash of certain ethical values with market economy rules based on maximizing profits and increasing efficiency.

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1. Introduction

Fair Trade is an idea aimed at improving the lives of marginalized producers from developing countries through a specific system of sales and distribution of goods coming from the Global South. Based on this concept, an alternative model of a commercial transaction was created—in relation to the market and universally accepted trading rules—in which the relationship between the producer and the consumer is determined by means of a new supply chain. The assumption is that benefits under such a transaction should be distributed more fairly, which means taking into account difficult situation of producers from developing countries. In practice, it looks like the prices of Fair Trade products are set at a higher level than in the conventional market, so that the producers can receive higher wages which would contribute to better quality of their lives. The essence of Fair Trade is observing the standards of Fair Trade by both organizations and manufacturing companies from the South as well as buyers—importers and other traders from developed countries.

The Fair Trade model aims to limit the chain of middlemen which used to take the biggest share of the product price. The Fair Trade core assumption is that the largest part of the product price should be returned in the form of payment to the producer. The benefits that a producer obtains create possibility of getting the payment in advance and information on the conditions for the sale of goods on the market. Importers are obliged to purchase, as far as possible, directly from farmers or local producers who are associated in producer groups called cooperatives.

However, it is difficult to implement and maintain the Fair Trade idea in practice. First, because the Fair Trade does not work in a vacuum, its functioning is nearly associated with mechanisms prevailing in the conventional market. Secondly, in the face of market realities, there are certain Fair Trade standards which are modified or changed. It resulted from the need to adapt to common principles and rules in the market economy, of which the Fair Trade is a part. Thirdly, the Fair Trade expansion does not go hand in hand with maintaining the traditional trend of thinking about this movement. The growing importance and expansion of Fair Trade implies the need to open up to new challenges and partners. This means taking up a new type of activity (promotion campaign, marketing strategy), as well as the opportunity to include new business partners.

The article addresses the problem of expanding importance of the Fair Trade in the international system. The main goal is to analyze the Fair Trade objectives and principles and their implementation in practice. The first part presents the evolution of formation of Fair Trade, the second one focuses on its basic premises and in the third part there was taken up an attempt to assess the results of functioning of Fair Trade movement.

2. The origin of the phenomenon

In the subject literature, there are at least three perspectives through which the concept of Fair Trade can be analyzed. The first one perceives the Fair Trade as an alternative concept to globalization. It is presented as a mechanism leading to the creation of a trading system that would operate as a complement to the existing one, in which the principles and objectives are subordinated to the realization of trade interests in favor of the least developed countries (LDCs). The goal is to create alternative markets in which international trade in goods is based on certain principles such as fair prices, partnership practices, social and environmental standards.

The second proposal concerns the phenomenon of decommodification, and thus the independence of the individual from the free market (Lyon & Moberg, 2010, p. 7). It is about the establishing of a bond connecting the producer of a product and its buyer, as well as breaking with the existing impersonal nature of the market by introducing values related to the principles of solidarity and community engagement. According to this approach, the vast majority of Fair Trade literature is devoted to communities, or rather producer cooperatives engaged in the production of specific goods. In this context, there is commonly presented an image of Fair Trade producer groups who invest funds from the social premium for the purposes related to development of the whole community. The money is usually spent on the construction of schools, hospitals and sanitary systems. It is being created an impression that consumers from developed countries directly contribute through social premium to development of the Global South.

The third perspective is related to the Fair Trade mechanism which benefits limited number of producers from the South by getting access to international markets under strict conditions. The approach is based on a relatively high level of institutionalization of the Fair Trade movement which takes the form of numerous Fair Trade organizations. Their common aim is dynamic development of Fair Trade and going beyond the niche market. For this purpose, marketing skills and promotion strategy of Fair Trade institutions are necessary to be present on the market, as well as cooperation with international companies and national entrepreneurs operating in the conventional system.

The first initiatives of "Fair Trade" with the aim of realizing the goals of social justice through the use of market mechanisms appeared in the 1940s. Initial attempts to create alternative sales networks for products originating from devel-

oping and crisis-affected countries and regions were made in the United States and Western Europe. Organizations such as Sales Exchange for Refugee Rehabilitation and Vocation (SERRV) or the Oxfam have started to buy artists' work from the countries of the South at a higher than market price and export them to developed Northern countries. It was a way that let to avoid intermediaries in trade transactions, while guaranteeing higher prices for contractors from the countries of the South (Lyon & Moberg, 2010, p. 5). The institution that supervised this type of exchange was the Alternative Trade Organization (ATO). In the 1960s and 1970s, under the auspices of ATO, there were developed some sales network of products from developing countries under the name of *World shops*. At the same time, small stores and mailing catalogs offering goods from developing countries were expanding in the US (Raynolds & Long, 2008, p. 16).

At the beginning of the 1980s, different sorts of Fair Trade activities began to be transformed into an organized Fair Trade movement whose common elements were based on similar principles related to the idea of justice. The ATO provided an institutional framework for the emerging international movement. In the 1990s, it took place further consolidation of Fair Trade movement through the formation of institutional platform made up of five associations: Fairtrade Labelling Organizations International (FLO), International Fairtrade Association (IFAT), Network of European World Shops (NEWS!), European Fairtrade Association (EFTA), Fairtrade Federation (FTF) (Raynolds & Long, 2008).

The introduction of certificates and the Fair Trade logo labeling was a turning-point in the Fair Trade history. The aim of the certification was, firstly, to expand the range of products, namely agriculture and handicrafts, and secondly, to introduce them to large retail chains in Western Europe and the USA. The first independent initiative from 1988 on the certification of Fair Trade products belonged to the Dutch foundation Max Havelaar. Next actions were taken jointly by the British organizations Oxfam, Traidcraft, Christian Aid, New Consumer, the World Development Movement, CAFOD, which together established the institution under the name of Fairtrade Foundation. Its fast-growing engagement led to the establishment in 1997 the Fairtrade Labelling Organizations International (abbreviated as FLO International), which combined various certification initiatives into one institution. Currently it is functioning under the name of Fairtrade International (Fairtrade Int.).¹ As part of the FLO central system there was formed a special unit for certification purposes under the name of FLO-Cert.

Due to the intensive development of sales of certified products, especially food, the significance of the special certification unit of the FLO has substantially increased. As a result of dynamic expansion of the Fairtrade Int. the ATO which was much more attached to traditional forms of actions and less expansionary has lost its importance. Despite the fact that it has also dealt with distribution of certified products, its ideas regarding the directions of further Fair Trade development have proven to be less progressive than those chosen by the Fairtrade Int.

¹ Formally, the institution is registered as Fairtrade Labelling Organisations International (FLO Int.), but for marketing and image purposes, it was decided to adopt a simpler name Fairtrade International (but remaining with the popular abbreviation FLO).

The source of current problems within the Fair Trade system should therefore be sought in relations between the two branches of movement: the ATO and the Fairtrade Int./FLO. Both formations agree on the objectives, but perceive them differently, especially on how they should be implemented (Raynolds & Long, 2008, p. 18). The ATO strives to create new Fair Trade sales channels with direct involvement in import and distribution. It is about maintaining the closest trade relations between the producer and the consumer, which means the elimination or substantial reduction of intermediaries in Fair Trade transactions. The ATO advocates the development of the “dense network of connections” model based on trust and mutual exchange of information. However, due to the need to expand existing sales channels, the formula proposed by the ATO is difficult to implement. Commercial relations based on mutual trust and free access to information are difficult to reconcile with the commitment into the Fair Trade rules, primarily in the situation of mass selling and the need to involve business entities from the outside of the movement.

The formula represented by the Fairtrade Int. is an approach more suited to the current market conditions. Its mechanism is based on the system of independent certificates, but also on Fair Trade promotion and marketing activities. Relations between the consumer and the producer are built on the basis of formalized rules, standards and procedures for product labeling (Raynolds & Long, 2008, p. 18). In the FLO’s model, import and distribution are mainly serviced by commercial companies operating on the conventional market. Unlike ATO, communication between Fairtrade Int. and manufacturers is based on standards and procedures, but between the institution and consumers is limited to a small label on a Fair Trade product. The implementation of the Fair Trade principles based on the “close business relations” is difficult to meet in that system. This causes a lot of negative opinions growing around the Fair Trade movement. One of the gravest accusations is a departure from core principles, which is clearly visible in the pursuit of commercialization of Fair Trade activities and expansion into the conventional market. Secondly, there is a lack of sufficient information on actual operations taken by the Fair Trade institutions and transparency in the field of income distribution. Institutions gathered around the FLO are more market-oriented than the ATO, which means that they are driven by similar rules to those applying on the conventional market.

In the current Fair Trade system—made up of numerous Fair Trade organizations its members and other stakeholders—the dominant position was obtained by the approach represented by the Fairtrade Int. and its certificate system FLO-Cert. Thanks to their determination and decision on cooperation with large commercial companies, there was sharp growth in sales of Fair Trade products. At present, national labelling initiatives and Fair Trade institutions operate in 34 countries. In 2016, the sales of Fair Trade products amounted to 7.88 billion EUR (Figure 1). The most dynamically developing market was Austria, where retail sales increased by 46% compared to the previous year. In countries with a stable Fair Trade market, such as the UK, France, Norway, the Netherlands or Switzerland, an increase of over 20 percent was recorded (Fairtrade International, 2017).

Some stable increase in sales of Fair Trade products took place also on other markets, which in total reached an increase of approx. 34%. The growing significance of Fairtrade Int. is reflected by the establishment of its representation offices in India, Hong Kong, South Korea, Taiwan and the Philippines.

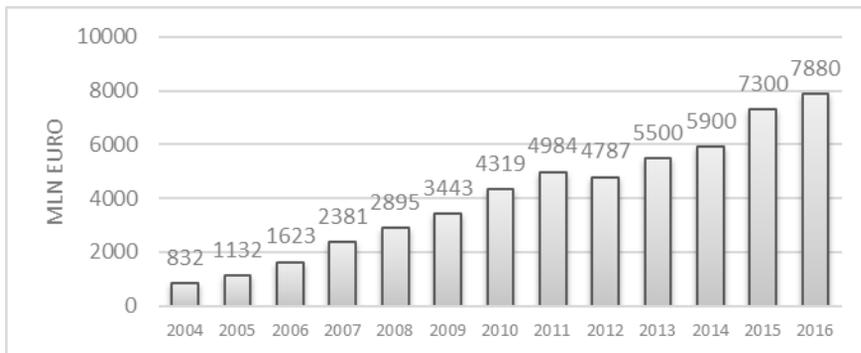


Figure 1. Sales of Fair Trade products in the world, 2004–2016, in millions of EUR (estimated value)

Note. Adapted from the data delivered by Statista.

3. General rules

Fair Trade mechanism consists of several elements that form an integrated system of Fair trade production and sales. It is made up of:

- (1) Fair trade minimum price,
- (2) Certification,
- (3) Social premium,
- (4) Creation of producer cooperatives
- (5) and long-term contracts in purchase-sale transactions.

Ad 1. The most important element of Fair Trade is the product price. It is a minimum price (floorprice) which the importer or other buyer of Fair Trade products is obliged to pay. It includes production costs and a provision for producers. When the market price is higher than the Fairtrade minimum price, producers should receive the current market price or the price negotiated under the individual contract (Fairtrade International, 2018). Generally, the Fair Trade minimum price is slightly higher than the market price. However, if the minimum price for a given Fair Trade product falls below the market price, then the importer is obliged to pay the market price which becomes the minimum Fair Trade price. The price per product unit is determined on the basis of average production costs and the minimum wage in a given region in developing countries.

The producers receive a Fair Trade minimum price which exceeds the market price of a given product, provided that they meet certain Fair Trade standards. In practice, the producer gets a small percentage of the final price of the product within its salary. However, in comparison with the situation on the conventional market, the wages are usually higher and more stable. For example, the producer gets about 4% of the final price of the chocolate bar. In turn, for 1 pound of coffee beans, the producer receives a minimum of 1.26 USD or 0.05 USD above the market price if it exceeds the Fair Trade price. However, compared to the typical products available in the supermarket, this proportion can be twice as small (Nicholls & Opal, 2005, p. 29).

Ad 2. An integrated part of the Fair Trade system is the certification and labelling arrangements governed by the FLO or other entities such as the World Fair Trade Organization (WFTO). The certificates are granted by the WFTO, the FLO-Cert or other full-fledged unit including national Fair Trade certifying institutions. It is assumed that products with a Fair Trade labelling mark meet similar labor and environmental standards. In order to obtain a Fair Trade certificate, producers must first create a producer group or cooperative that meets the conditions imposed by the Fair Trade institution. Secondly, they must receive a guarantee for reception of goods by the importer. Thirdly, producers are obliged to comply with the rules related to the protection of natural environment, limiting the use of artificial fertilizers and pesticides. The use of genetically modified organisms is forbidden (Fairtrade Labelling Organizations International, 2009, p. 5). In addition, the employment of employees is associated with the observance of the minimum labor standards adopted by the International Labor Organization (ILO). Slave labor and child labor under the age of 15 are prohibited. All employees should get the right to form and join associations.

The maintenance of Fair trade certificate is associated with strictly defined costs for the whole production co-operative. Since coffee is the most common used Fair Trade product, the easiest way is to present the average costs of holding a certificate by the coffee producing cooperative. The minimum fee for obtaining a Fair Trade certificate ranges from 2,200 to 2,400 EUR. It is an average payment for a small producer group, which counts less than 100 people, including both producers and employees. In addition, the cooperative is obliged to pay an annual fee to the certifying authority, which is amounted to approx. 1,260 EUR. Considering the relatively low annual income in developing countries, which is below 1,000 USD, this amount is relatively high.

As a result of a long process needed for granting certificates only small part of agriculture goods originated from the least developed countries have received the Fair Trade labeling. It is much less common in manufactures and handicraft goods. Products that do not have FLO certificates cannot bear the Fair Trade labeling mark even if they are sold in compliance with Fair Trade standards. This applies, for example, to handicrafts or textiles. However, all stakeholders of the Fair Trade movement may be members of the International Fair Trade Association, which brings together both producers and traders with and without certificates.

Ad 3. Another element of the Fair Trade mechanism is the social premium. It is the extra sum of money, paid on top of the selling price that farmers or workers invest in projects of their choice. Each premium amounts to a minimum of 10% of the product price. This funding goes into a communal fund for workers and farmers who jointly decide on allocation of additional income. Premium money in this sense is meant to improve the situation of local communities in health, education, environment, economy etc. Most often, they invest in construction of schools, education activities, health care, purchasing of new production equipment. It is important that the objectives on which the premium money is spent would be met with Fair Trade rules. Therefore the FLO inspectors examine whether the funds are spent in accordance with their purpose. This extra money is transferred entirely to development purposes of the local community.

Ad 4. Producer cooperatives are basic Fair Trade organizational structure which gather farmers and producers. The condition for receiving a Fair Trade certificate is membership in such organizations. The share of individual members is proportional to the sales of their products in the Fair Trade transactions. By participating in a cooperative their members offer themselves mutual assistance since the final output depends on engagement of the whole community. It is much more beneficial to work in a producer organization than individually, especially in the case of problems with shortages of machines or lack of specialized knowledge. Members of a cooperative have easier access to information on price setting or its fluctuation both on the local and international market. This is particularly important in the case of cotton, cocoa or coffee prices, which are set on commodity exchanges in New York or London. Co-operatives give their members better bargaining position in negotiations with middlemen or other buyers of their goods. The way in which cooperatives are run and managed is based on the respect of the rights of all their members. Voting and election of representatives of the community should be on an equal basis.

Ad 5. The Fair Trade mechanism enables the producers to sign the long-term contracts. The Fair Trade standards impose on buyers an obligation to give a financial advance on contracts, called pre-financing. The aim is to help producers get access to capital and overcome financial shortages. This promotes entrepreneurship and may contribute to enhance economic and social situation of the whole cooperative (Mathews, 2009). The producers can plan future production and invest in development of rural areas or artisan plants. The average contract period lasts from half to one year. Importers in the Fair Trade transactions are often obliged to finance future seasonal crops up to 60% of their purchase price. According to the Fair Trade standard the purchase price shall be paid before delivery of the products. An advance payment allows producers to maintain financial stability and invest money in other crops or production.

4. Implementation

As a matter of principle the concept of Fair Trade is often objected to the notion of free trade (Claar, 2011, pp. 79–80; DeCarlo, 2007, p. 104; Nicholls & Opal, 2005, pp. 17–19; Sabry, 2011, pp. 25–35). Fair trade organizations openly criticize the market based standards of free trade, and thus seek to introduce an alternative system, based on fairer rules (Decarlo, 2010, pp. 91–98). In this “alternative” system, the goal is to build a market model that is different from the generally applicable framework. The Fair Trade movement is convinced that “free trade” harms the poorest, because prices in conventional trade for the commodities coming from countries of the South are “unfair”. In this respect, it is postulated to change some of the rules of the international trading system in order to better serve the poorest countries, among others by introducing special tariffs to protect the economies of developing countries, as well as establishing trade agreements that would sanction national import quotas for certain goods.²

The main reason for the criticism of the Fair Trade movement is the mechanism for determining the minimum price, and therefore controlling and maintaining prices at a strictly defined level. The decisive factor in this arrangement is the protection of the group of producers from the countries of the South, and not the market relations between supply and demand. The accusations are therefore focused on the development of uncompetitive production, where one group is protected at the expense of other market participants. Such activities are, by their very nature, discriminatory and protectionist, although subordinated to the noble purpose of helping poor producers from developing countries. An additional element is the effectiveness of the mechanism based on Fair Trade purchase and sale transactions. This means that the scale of expenditure on Fair Trade development is disproportionate to the benefits obtained by producers from the South.

The doubts raised by the operation of the Fair Trade mechanism concern two issues: first, the principles and standards on which the movement is based and, secondly, the direction of Fair Trade development. Increasing problems can be divided into three groups:

- (1) the first concerns consumers,
- (2) the second involves producers
- (3) and the third relates to the functioning of the international trading system.

Ad 1. Consumers are the backbone of the entire Fair Trade system, because by choosing and buying Fair Trade products they fund it. The problem is that the average consumer does not have enough information on the distribution of Fair Trade revenues. It is mostly about the wages that producers and cooperatives from developing countries finally receive after the cuts of all financial liabilities. The consumer, guided by ethical considerations, buys a product for a higher price, because he/she assumes that a significant part of the Fair Trade price will go to a poor producer from the South. This is in line with the Fair Trade assumptions,

² These postulates were announced by the Trade Justice Movement organization (<http://www.tjm.org.uk/>), which brings together numerous Fair Trade organizations in the world.

where the aim is to eliminate middlemen, namely too many importers, distributors, retail sales networks (Jaffee, 2007, pp. 147–149). These entities receive a part of the profits from the sale of products in Fair Trade, which should be largely transferred to the producers from the South. On the other hand, more and more extensive Fair Trade sale or distribution channels require proper services in the form of numerous Fair Trade supporting institutions as well as additional business entities outside the system. Part of this obligation is taken over by the producers. It is clear that the greater availability of Fair Trade products on the conventional market involves rising beyond the niche market. The operation of middlemen is necessary for the sake of proper functioning of the Fair Trade system.

Ad 2. In conformity of the Fair Trade principles producers from the Global South should be the main beneficiaries of the system. However, only a limited number of workers in the countries of the South have the opportunity to participate in a Fair Trade cooperatives. Numerous trade and institutional barriers are a reason for their small attendance. The largest obstacle are costs related to obtaining and maintenance of Fair Trade certificates, which require producers to meet strictly defined conditions. Another obstacle is limited to production capabilities. The Fair Trade production stimulated by higher prices encounters natural limitations. The low productivity and efficiency of producer cooperatives makes it difficult for individual farmers to receive higher wages for larger quantities of products. The situation results from the traditional form of cultivation and management of small farms. For example, in the coffee-farming, increasing quantities are not the result of increased production within the cooperative, but a consequence of issuing further Fair Trade certificates, which leads to excessive supply of this product (Kohler, 2010, p. 28). People encouraged by higher price for Fair trade products seek for certificates, through which they expect to gain more profits. It causes market distortion which finally can hit the poorest producers from the South.

Higher wages of Fair Trade producers are connected with more responsibility and major work compared to conditions of employees out of the system. Due to the need to eliminate or limit a number of middlemen the cooperatives are obliged to perform necessary activities that would otherwise be performed by intermediaries. Only a few producer groups are able to effectively manage the export process of their products and not to bear higher costs. The best managed and strongest producer organizations experience the greatest gains while smaller and weaker cooperatives are worse off and cannot increase their trade capacities. It is difficult to meet all requirements to get the certificate, therefore worse managing cooperatives can apply for special support programs from aid institutions, foundations or associations (Jaffee, 2007, pp. 151–163).

Producer co-operatives based on traditional forms of social and economic dependence are not advanced in terms of production methods, labor productivity or management. Changes are difficult to carry out and they require much investments. However, compared to an individual farmer, cooperatives have greater opportunity to operate effectively on the local market, receive technical and financial support from Fair Trade organizations, as well as some logistics facilities.

They may invest the money coming from social premium for public usage objectives and take on the risk of operating on the market. On the other hand, cooperatives preserve traditional forms of production. The rules on which they operate encourage people to stay at their current place of work and to continue inefficient production. The guaranteed minimum price entails weak incentives to change the job. Even low-paid producers do not have enough reasons to change their activities and look for other forms of earning.

Ad 3. The third problem results from the assessment of the potential impact that the Fair Trade may have on international trading system. The claim about the negative effect through the minimum price seems to be exaggerated. First, since the potential of Fair Trade does not have enough influence on international trade system, the minimum price mechanism would hardly distort the market economy mechanisms. Secondly, guaranteed fair trade minimum encourages farmers to join the Fair Trade system, but the scale of the engagement in relation to world trade is relatively small. The Fair Trade share in total international trade does not exceed 1% (Elliott, 2012, pp. 1, 8).

There is a chance to increase the impact of Fair Trade on global trade providing that the alternative system would further develop by expanding to new regions and products as well as substantial increase in retail sales. Only under such circumstances the Fair Trade minimum price may have stronger impact on conventional commodities market (Nicholls & Opal, 2005, p. 42). An example is the coffee market. Due to the large supply and the guaranteed price, the coffee price dropped substantially which contributed to the deterioration of living conditions of coffee producers outside the Fair Trade system. Moreover, producer cooperatives operating in the Fair Trade system do not have the prospect to sell their entire crops or production at a guaranteed price. Therefore some part of Fair Trade production is sold at market price, which is usually lower than the Fair Trade minimum price. For each producer cooperative, the main goal is to sell as much as possible of its yield at the preferential price. However, a reason to be pleased is a sale ranged at 30–40% of Fair Trade production. The rest is sold at market price. Thereupon if significant quantities of the Fair Trade products, e.g. coffee, are sold at market price, it bears it upon overproduction and further drop in prices. It has an impact not only on the Fair Trade producers but also employees and farmers working outside the system.

5. High-minded goals in confrontation with market realities

The implementation of basic objectives of Fair Trade, which are to raise the standard of living and reduce poverty, is extremely difficult. In fact, there is not enough evidence that the Fair Trade system generates net profits (Barrientos & Smith, 2007, pp. 103–120). At least two distinct types of actions carried out by Fair Trade institutions can be identified in order to enhance the living standards of the producers from the South. The first option is to raise the price for Fair Trade products

and direct them to specialist stores and sales networks. It was a characteristic formula of the Fair Trade system in the initial period of its operation, dated from the 1960s. Handicrafts and agri-food products from developing countries were then sold in places called “World shops” or “Fair Trade shops” run by charities and aid institutions. Unfortunately, this method did not guarantee high sales but has strengthened the position of Fair Trade products in the niche market.

The second—alternative solution is based on the idea of incorporating to the Fair Trade system new participants, i.e. business entities in order to expand Fair Trade sales and increase profits by gaining mainstream market. By granting Fair Trade certificates it has led to the expansion of the scale and scope of sales. This is precisely the direction currently being pursued by the Fairtrade International (FLO), which brought together certifying institutions and producer networks from developing countries. A lot has already been achieved in this strand (Jaffee, 2007, pp. 199–205). However, the decision itself is highly controversial. The Fair Trade certificate was awarded to international corporations such as Kraft, Nestlé, Procter & Gamble, Sara Lee, McDonald, Starbucks and Chiquita. The problem is that Fair Trade goods are only a small part of their assortment, and the companies themselves are obliged to buy only a small number of Fair Trade products. In return, they obtain the brand of a socially responsible company that raises their image and prestige on local and international market. One can get the impression that Fair Trade is treated quite instrumentally in this system (more in Claar, 2011, pp. 52–60). In order to acquire a socially responsible brand, companies use Fair Trade for it. Both concepts—Fair Trade and corporate social responsibility (CSR) have very similar assumptions and common values. The point is to behave responsibly and ethically in relation to various social groups affected and with the greatest possible respect for natural environment. Similar goals are pursued by the Fair Trade, whereas the main reference is well-being of producers from the countries of the South.

Assuming that the FLO has discovered an effective way to develop Fair Trade system by increasing sales of Fair Trade goods, the principles and original goals remain open (Barrientos & Smith, 2007, pp. 108–109). Inclusion of international corporations into the Fair Trade system is at odds with basic principle related to limiting of middlemen and shortening of supply chains. Maintaining of special relations between the producer and the client based on trust and respect seems to be inconsistent with a strategy of inclusion of international corporations. The companies are accused of using the Fair Trade logo to promote and create their positive images on national and global market. Opponents blame Fair Trade organizations such as FLO for betraying ideas and principles in return for searching profits at the expense of producers from the countries of the South.

However, the problem seems to be much more complicated. It is a big challenge for the Fairtrade International to guarantee producers higher profits in case of increasing and broadening Fair Trade producer networks. In this context granting certification for international corporations can improve working conditions of those employed by these companies. Meeting certain Fair Trade requirements by international corporation means that workers on tea, coffee or banana plantations are better off than others. Their owners are obliged to pay “fair” wages and set

proper working conditions for workers. This may indicate that the companies equipped with Fair Trade certificates will seek to make the changes permanent by improving working conditions and raising minimum wages on large plantations. In practice implementation of the task is very difficult, but in the long term it is not excluded.

Certificates are not granted once and for all, but their maintenance is associated with a number of inspections and controls. Sometimes on the ground of failure to meet Fair Trade standards the certifications are taken away from individual producers, entire cooperatives or large plantations. Undoubtedly, it is much easier to carry out detailed checks in small cooperatives than on plantations owned by corporations, including the Chiquita company. However, even in large plantations some deviations from the Fair Trade rules can be noticed and stigmatized. The challenge for the whole movement of Fair Trade is to how reconcile Fair trade ideas and principles with market-driven development, where the urgent goal is to increase sales and revenues concentrated on the conventional market (Jaffee, 2007, pp. 217–218).

6. Conclusions

Within the framework of the Fair Trade movement there is a slow transition process from an alternative trading mechanism to a model located in the mainstream. This means a departure from traditional model of the producer-client relationship with a limited number of intermediaries for the type of activity that is subject to the principles and rules of the conventional market. The sources of changes should be seen in the pursuit of Fair Trade institutions to expand their business and increase their market share.

The reasons for dynamic development of the Fair Trade movement are seen first in growing awareness of ethical consumer choices and, second, in the interests of big business to incorporate Fair Trade into the mainstream economy. The latter is facing many opponents who disagree with this choice of development, directly linked to commercialization. New rules of the game related to entering the wider market require changing some Fair Trade principles and adapting them to the market environment. On the one hand, this may be a chance to survive and develop Fair Trade, which requires modification of some rules and submission to international competition. On the other hand, it means moving away from original principles and adapting to rules governing the market economy.

The effects of changes are difficult to predict. One thing is certain, the growing presence of Fair Trade on the conventional market gets more attention to development problems of the Global South. The Fair Trade message raises awareness of consumers who are guided by social considerations and environmental protection when choosing goods. Fair Trade contributes undoubtedly to comprehension of developmental needs of people living in the South among societies in developed countries.

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