

THE FAIR  
TRADE  
SCANDAL

MARKETING POVERTY TO  
BENEFIT THE RICH

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# Contents

<i>List of illustrations</i>	ix
<i>Acknowledgements</i>	xi
<i>List of acronyms and abbreviations</i>	xii
<b>Introduction</b>	1
<b>1 On the Inequalities of the International Trade System</b>	8
International trade: a lever for a minority, a handicap for the majority	11
The problem with primary specialisation: a look back on unequal exchange	16
Biased practices...	25
... facilitated by asymmetric game rules	31
Conclusion	33
<b>2 The Fair Trade Universe</b>	34
A brief history of the movement	35
Introduction to the Fair Trade system: The role of FLO	45
The marketing success of FT: some figures	51
The war of labels	53
Conclusion	56
<b>3 Controversies Around Fair Trade</b>	58
The origins of a debate: the abolitionist movement	60
The origins of a debate: the tradition of free trade	63
Free trade vs Fair Trade: the neoliberal critique	68
The alterglobalist critique: the flaws of the promotion of social justice via the free market	74
The point of view of degrowth	81
Conclusion	83
<b>4 Redeeming the Free Market as a Solution to Poverty: The Limitations of the FT Economic Model</b>	85
Limitations of accounting for the 'sustainable'	86
Uncertainties and asymmetries of the FT economic model	99
The local impact of Fair Trade	109
Conclusion	119

<b>5 Looking for the Global Impact of Fair Trade</b>	120
A non-existent global economic impact	121
Fair Trade does not benefit the poorest	129
Fair Trade: an alternative to neoliberalism?	139
<b>Conclusion</b>	146
<i>Annexes</i>	153
<i>Notes</i>	155
<i>Bibliography</i>	164
<i>Index</i>	172

# *Introduction*

**E**conomic alternatives do exist. Or so we're told. 'Another' capitalism, a 'human-faced' capitalism even, is possible. Ethics can be introduced into capitalism. The market economy can be made to serve the poor. The search for profit and universal commodification of everything can be useful to humanity and the environment so long as the right steps are taken. In other words, if we believe in what some might consider as a new 'utopian socialism', capitalism can be made more accountable, and this for the greater good of the working classes of the world. Microfinance made us this promise and provided many guarantees. Most of us had taken it for granted. But we are still awaiting results, despite the democratic generosity of the idea (Bateman, 2010). Nowadays, in light of the recurring banking and financial crises that are still affecting hundreds of millions of lives, we increasingly hear about the concept of ethical financial investments. Increasingly, the goal is to make 'responsible' a global system whose peculiarity is that it does not tolerate any ethical limitation.

In its attempts to redeem the free market, rather than introduce an alternative form of globalisation, Fair Trade is perhaps the most revolutionary and hopeful initiative for workers in the poorest countries of the planet. Its supporters want to put an end to unequal exchange between North and South. They argue that poor workers of the South should enjoy decent prices for what they sell to rich countries. To achieve this, they promote militant activism, namely awareness-raising campaigns, as well as solidarity from consumers in the North. In theory, agreeing to pay a slightly higher price for some goods made from raw materials produced in the South could contribute to improving the living conditions of workers of the South through the Fair Trade networks.

The fact that Fair Trade has achieved a significant impact in some regions of the world is undeniable. But isolated and limited successful experiences are insufficient to argue that this tool has been effective in reforming capitalism. As we will demonstrate in this book, Fair Trade is a new iteration of the free market rationale, rather than an alternative to the market economy. Contrary to what some of its neoliberal critics argue, Fair Trade is a logical continuation of free trade and not a remedy to its weaknesses. The reason for this is quite simple. Can the excesses of the market economy be overcome

using the same principles and methods? Can the grip of the free market on human lives actually be loosened while still promoting further trade, albeit in innovative ways? The answer is most certainly no.

Fair Trade nevertheless seeks to change the world by extending the empire of commodities further. How can it do so? Poverty itself has become a commodity. Poverty is being labelled. Through this label, it is the idea and the approach that are being sold. The label gives poverty a visibility it did not have before. It gives it an identity. A seal is applied on commodities produced by the poor – in fact by a minority among the poor – so that consumers of the North can distinguish between the ‘Fair’ approach and others. In theory, this label guarantees that the higher price paid will be put to good use and benefit impoverished workers. But Fair Trade needs advertising in order to attract clients, as all sellers do. Marketing and awareness campaigns are necessary to promote its cause.

Putting poverty and the truth about unequal exchange at the forefront of the global public scene is quite a commendable approach. This is not what is at issue. I do not challenge the sincerity and ambition of this approach, nor the purity of its motives. The fundamental question is the following: has Fair Trade kept its promise? Is it a tool that can really help the poor of the world? Indeed, if placing a label on global poverty was enough to eliminate it, there would hardly be any reasons to disapprove of Fair Trade. The problem is that things are not quite what they seem. Between intentions and outcomes, there is a gap, often filled only with rhetoric.

As I shall demonstrate, Fair Trade is but the most recent example of another sophisticated ‘scam’ by the ‘invisible hand’ of the free market. This noble endeavour for the salvation of the free market was tamed and domesticated by the very forces it wanted to fight. With its usual efficiency, the free market triggered the implosion of the Fair Trade universe and hijacked its mission, without Fair Trade supporters and stakeholders even realising it. The free market was especially cunning in letting these celebrate their perceived victories with glee and carelessness, while it secretly and relentlessly pushed on with its dark designs.

Only a few years ago, I knew little about Fair Trade, despite some measure of interest in issues related to international trade. Until then, I was mostly concerned with other aspects of development. In 2010, I was fortunate to work as a consultant for Fairtrade Labelling Organizations International (FLO, which later became Fairtrade International), a result of chance as well as individual choices. To start with, I felt enthusiastic, partly because of a bias in favour of the original ideas. In the West African context where

I worked, Fair Trade was barely keeping its promises. For older producer organisations, there were initially significant benefits; then, hardly anything followed. Newcomers to the system were still waiting for promises to come true. For those who wanted to join the movement, it was sometimes an obstacle course.

It was difficult to make definitive statements about Fair Trade, however, because what little information existed was insufficient, context-specific and therefore impossible to draw any general lessons from. Besides, being reluctant to give way to praxis and empiricist judgement, I could not be satisfied with such contextual conjectures, nor with arguments heard here and there. So I immediately decided to do some research on the issue in order to reach a personal understanding and assess the theoretical potential of this solidarity approach. I naturally turned to the economic literature and to some sociological works. My research did not overlook the broad range of writings by Fair Trade actors. I also collected views from my colleagues about some aspects on which my thirst for knowledge was still unquenched. Based on this research, and on my own direct experience, I came to better understand the structure of Fair Trade and the difficulties faced by producer organisations involved in this movement. However, while I was bemused by the large number of cookbooks and promotional materials on Fair Trade, I was disappointed by what I read overall.

Let us start with the books written by the two ‘founding fathers’, Frans van der Hoff, a Dutch priest and economist living in Mexico, and his fellow countryman Nico Roozen, Director of the *Solidaridad* non-governmental organisation (NGO). They present a wealth of information on the genesis of the movement, the difficulties encountered and a *pro domo* advocacy. Compared with other works listed below, the founders’ texts have the merit of providing, with much sincerity and honesty, theoretical arguments as well as some attempts at justification and an ideological stance. However, the most demanding readers are left disappointed by the fact that the litany of good intentions and ambitions is given more consideration than scientific discussion.

Then we have summary works that present the state of the art on Fair Trade. Their authors review the history of the movement, its mission, actors and *modus operandi*, while also expressing light criticism of the inequalities of international trade. These works implicitly argue that Fair Trade promotes something radically different against the neoliberal system. At times, the existence of divergences is alluded to with delicate caution. But the tone

remains careful and any asperities are ironed out. As a result, readers seeking a contradictory perspective on Fair Trade will remain dissatisfied.

The next category is that of monographs, either in book or article form. This category contains anything and everything. For some, Fair Trade is successful and must be encouraged. For others, it is but a chimera that we should not waste time on. Others are more nuanced and argue that Fair Trade has an undeniable potential, but needs to make adjustments in order to fully become the alternative paradigm it seeks to be. Let us also mention authors whose sole intention is to demonstrate that Fair Trade can be ‘modelled’ and understood using the axioms and tools of the dominant economic theory. Despite this variety, these monographs have a major weakness: they tend to generalise results and make recommendations on the basis of information whose validity is *a priori* local. Besides, they eschew the global functions of Fair Trade.

Then we have critical writings and other pamphlets. In this category, one set of arguments of principle is opposed to another set of arguments of principle. On either side, a given ideological stance is backed by carefully selected empirical data. Neither side is particularly wrong or entirely right. Readers are therefore likely to make up their minds based on their own personal standpoint. This often derives from lack of a clear analytical framework.

Finally, there are speeches, writings and publications by Fair Trade actors, those who run the movement, including labelling initiatives. This gives a completely different picture, where every detail is painted in pink or in black, depending on whether it serves the objectives of the movement or not. This kind of material includes extremely sophisticated rhetoric. Statements regarding the ambitions, scope and results of this model are as pompous as they are devoid of evidence. On the inequities kindled by neoliberal globalisation, the arguments are virulent and keep up with the times. When addressing the problems faced by the world’s poor, the tone is at once dark and optimistic, hence reaching out to various audiences (consumers, solidarity movements, alterglobalists, politicians, etc.). In other words, when neoliberals talk about rights, choice and freedoms, Fair Trade actors use words such as ‘consum’actors’, ‘ethical consumption’, ‘responsible consumption’, ‘corporate social responsibility’, ‘sustainable development’, ‘a cart, a vote’, ‘buycott’, etc.

While these materials are rich, it is difficult to extract any substance from them, or any arguments that are free from partisan ornaments. This type of literature is filled with confusing information, contradictory statements

and academic laziness: philosophers arguing that consumers have a moral imperative to buy Fair Trade products, while governments are morally bound to back the movement; social scientists not paying due attention to the specificities of the contexts under study; confused economists relying on the authority of simplistic theoretical arguments provided by economic textbooks; priests being seduced by marketing; marketing gurus being satisfied with statistics they do not understand; supporters of free trade ignoring the fact that free trade has more similarities to than differences from Fair Trade; the alterglobalist movement attempting to redeem the free market ... But the greater irony is that the new advocates of the poor unknowingly work for the rich, being themselves part of this category. They proudly boast growth rates that are supposed to put to shame any previous attempts at trade solidarity while overlooking the more meaningful figures.

It is not my intention to explain this current state of the literature on Fair Trade. I can only point out that the weight of ideology, the power of marketing and the lack of evaluation data must have played an important part. Each contributed a personal perspective. All participants in this debate – including the founding fathers, researchers, pamphleteers, marketing organisations and political actors – have found or defended arguments they considered true about Fair Trade. This is the reason why some efforts at analytical clarification are required. It is also worth pointing out that Fair Trade actors have begun producing some materials which, although incomplete and diverse, help in making a thorough and honest assessment of the model they promote.

The need to study Fair Trade also arises from current affairs. As part of the ongoing multilateral negotiations – the Doha development round – the issue of trade preferences being given to the poorest countries is regularly debated, as are the effects of the obvious protectionism of rich countries on the main commodities exported by developing countries. From my point of view, Fair Trade is a low-level experiment whose study can provide precious teachings on the potential distributive effects within developing countries of the liberalisation of commodities, especially agricultural products.

This book aims to provide a critical study of Fair Trade with a dual perspective. It first provides a more analytical approach by identifying the key aspects involved and attempting to clarify the main arguments and concepts. Then it gives more weight to the not necessarily homogeneous viewpoint of the countries of the South. The focus is put especially on the least developed countries (LDCs). Indeed, one of the limits of existing literature is that it addresses the issue of Fair Trade mainly from the perspective of countries

of the North (perception of the movement by consumers, tensions and controversies linked to the ideological evolution of Fair Trade, competition between labels, etc.). This bias is understandable, as Fair Trade is in a way a Western ‘invention’ whose survival depends on its uptake by consumers and political actors of the North. However, Fair Trade is too important an issue to be confined within the borders of developed countries. Other voices need to be heard. The bias in this debate has resulted in the heterogeneous nature of developing countries being downplayed, and a lack of attention to the progressive and distributive nature of this new development tool.

Is Fair Trade a model that can be applied to all developing countries? Is it a long-term strategy that can be recommended for these countries? Does it not hide new forms of exploitation of the South by the North? Who is benefiting from it in the South? Finally, is it a credible alternative to neoliberal globalisation?

These are the questions on which I intend to provide an empirical and analytical contribution. This book in no way seeks to answer all the questions raised by Fair Trade. It rather seeks to focus on few aspects I consider crucial, while allowing readers to gain a broader perspective. There is no doubt that a great deal can still be learnt from social scientists and legal experts on this subject.

Let us clarify the terminology. As we shall see, there are several trends in Fair Trade. Generally speaking, we have historic/alternative Fair Trade on the one hand and labelled Fair Trade on the other. This research focuses mainly on the latter approach. Indeed, when speaking about Fair Trade in general, everyday consumers think of the supermarket model. In actual fact, ‘labelled Fair Trade’ does embody the sociological and economic dimensions of the global Fair Trade movement. Thus, in order to avoid any confusion, every time historic/alternative Fair Trade is referred to this will be made clear. In other cases, I shall use indifferently the term ‘Fair Trade’ to refer to the Max Havelaar or Fairtrade approach (this latter specific approach being abbreviated as FT). It is worth pointing out that, in spite of the more widespread use of the phrase ‘labelled Fair Trade’, it would not be inaccurate, and may even be thought-provoking, to speak about ‘Trade Labelled Fair’, in order to introduce a sense of tension and to reverse the burden of proof. Why should we accept outright that the Fair Trade approach – labelled or not – is fair?

In the same way, I shall speak of ‘protagonists’ of Fair Trade to refer to the people and institutions that organise the movement (including the founding fathers, labelling initiatives and influential organisations). These

are different from ‘supporters’, who back the movement worldwide. In another register, we would have spoken of party ‘officials’ as opposed to ‘activists’ or sympathisers. But the literature on the new social movements shows us that these hierarchical relations no longer adequately describe the structure of contemporary social movements. This work will consider this a theoretical assumption that requires proof whenever possible. In this respect, further research would be useful. At any rate, our basic assumption is that protagonists and supporters of Fair Trade do not all have the same motivations and agenda.

The following approach will be implemented. Chapter 1 describes the background of the problem that Fair Trade seeks to resolve: how and to what extent can the international trade system be considered unfair vis-à-vis the poor of this world?

Chapter 2 describes the inner workings of Fair Trade as well as the divergences existing within the movement.

Chapter 3 covers the main arguments of the ideological debate around Fair Trade.

The last two chapters address the question of whether Fair Trade is a solution to poverty in the South and if it really is an alternative to neoliberalism.

Chapter 4 describes and discusses the economic model on which Fair Trade is based, focusing on its limitations when it comes to reducing poverty in the South, as well as on the issue of its local impact.

Chapter 5 addresses the global impact of this movement. Indeed, there is often a major confusion between the local impact and the global impact of Fair Trade. This is unfortunate. It is by examining the functions of the movement on a global level that the main argument of this book is made, namely that Fair Trade is based on a plutocratic logic: speaking on behalf of the poor, but really being at the service of the less poor and the richer. In some way, Fair Trade needs the poor more than the poor need Fair Trade.

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