

Forum:	The Group of Twenty
Issue:	Discussing the global deviation against International Fair-Trade
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INTRODUCTION TO THE TOPIC

The concept of Fair-Trade that is discussed quite frequently, but reaching a consensus on how to achieve such a scenario is not yet in the cards, which leaves us wondering about the following question: “Which factors hinder the idea of Fair-Trades from being materialized?” Through this Study Guide we will be delving into the causes of the matter, such as the unfair distribution/availability of resources and the difficulty in implementing several requisite policies that would assist in the transformation of the trading system into a fair one. Our ultimate aim is to find ways of helping nations overcome such obstacles through dialogue, which would allow for the improvement of the situation.

KEY TERMS

- ✓ **Fair-Trade:** A social movement aimed at equity in international trade. In order to achieve this, several measures need to be implemented, such as, but not limited to:
 - **The provision of incentives to those operating within the trade sector in LEDCs,¹**
 - **Ensuring that the rights of sidelined producers are not violated,**
 - **Ensuring transparency in trades and equal trading opportunities among countries,**
 - **Promoting dialogue between the involved parties,**

It is believed that, through Fair-Trade, the trading system will become more democratic and accessible by more people because of the improved trading conditions, but also that progress will be made in the field of sustainable development thanks to factors such as the country’s economy rebounding.

¹The Fair-Trade Movement supports the concept of a minimum price paid for agricultural products stemming from developing countries as a means of providing the aforementioned incentives which will boost the local economy. This price is called a “Fair-Trade Price” and it is higher than the actual value of the product out of ethical reasons. This contrasts the concept of the “Trade-Not-Aid” Fair-Trade, about which we will be talking later on.

(Source: DiGiovanni, JD. “Fair-Trade Price.” Investopedia, 8 Feb. 2016, www.investopedia.com/terms/f/fair-trade-price.asp.)

HISTORICAL INFORMATION² & BACKGROUND INFORMATION

The Fair-Trade movement goes a long way back. In fact, the term “Fair-Trade” was officially coined by the UN only after the end of WWII. However, meaningful discussions regarding its implementation didn’t actually take place until the 1960s. Let us review the many forms it took over the course of time and the controversy it sparked.

In the 20th century

“Charity purchases”³

From 1946 to 1949 several handcrafted goods originating from developing countries were offered for sale in specific “ethnic” or “charity stores” with the aim of raising funds for the establishment of Fair-Trade supply chains in the aforementioned LEDCs. The nature of the items was, by no means, practical. The goods only served as a receipt of sorts that proved that the owner had financially assisted the project, which was supervised by an agency and an organization called the “Mennonite Central Committee (MCC)” (1946) and the “SERRV International” (1949) respectively. However, these actions only took place in specific areas. For example, the second one took place only in North America. Follow-up “World Shops”⁴ were established, but only in the Netherlands.

² “Fair-Trade History | Fair World Project.” Fair World Project RSS, fairworldproject.org/about/movements/fair-trade/history/.

³ “History of Fair-Trade.” Wikipedia, Wikimedia Foundation, 5 Nov. 2017, en.wikipedia.org/wiki/History_of_fair_trade#Early_fair_trade_initiatives.

& **BOOK:** Hudson, Ian, et al. Fair-Trade, sustainability and social change. Palgrave Macmillan, 2013, [books.google.gr/books?id=TCUiD1JCeQ8C&pg=PT33&lpg=PT33&dq=Fair-Trade charity stores 1946&source=bl&ots=LaWUU0wbE6&sig=UMVxEuGioOEN3EtAqqTBM0VuEBU&hl=el&sa=X&ved=0ahUKEwjcgYC78-TYAhVIkywKHd6YAIkQ6AEIWDAF#v=onepage&q=fair%20trade%20charity%20stores%201946&f=false](https://books.google.gr/books?id=TCUiD1JCeQ8C&pg=PT33&lpg=PT33&dq=Fair-Trade+charity+stores+1946&source=bl&ots=LaWUU0wbE6&sig=UMVxEuGioOEN3EtAqqTBM0VuEBU&hl=el&sa=X&ved=0ahUKEwjcgYC78-TYAhVIkywKHd6YAIkQ6AEIWDAF#v=onepage&q=fair%20trade%20charity%20stores%201946&f=false). (automatically cited)

& “Fair-Trade History | Fair World Project.” Fair World Project RSS, fairworldproject.org/about/movements/fair-trade/history/.

⁴ “Fair-Trade History | Fair World Project.” Fair World Project RSS, fairworldproject.org/about/movements/fair-trade/history/.

Trade-Not-Aid⁵

The concept of Trade-Not-Aid was first embraced by the United Nations Conference on Aid and Development (UNCTAD) in 1968. Essentially it revolves around the idea that, were countries with developing markets given the opportunity to trade freely with MEDCs, they would be able to secure a decent income thanks to which they would become less dependent on the financial assistance of third nations.

Contrary to the Fair-Trade Concept, the idea behind Trade-Not-Aid essentially is to not rely on the provision of subsidies to developing countries, but treat their products with a sense of equity when it comes to trading.

The “Doha Development Round”, yet another round of debate that focused, among other subjects, on the topic at hand took place in Doha, Qatar in November 2001. It was agreed upon that economic subsidies would gradually be abolished, yet in praxis, this was not really the case.

In 2003 however, the USA as well as Europe agreed to at least lower the value of potential subsidies.

Several more of the so-called “Doha Rounds” took place, but, in conclusion, they had little to no effect on the “Trade-Not-Aid” concept being implemented in developing countries even to-date.

Arguments against Fair-Trade⁶

At first, the concept of Fair-Trade seems just and feasible. However, that is not always the case. Here are a few of the controversy-sparking arguments used to prove that Fair-Trade is not as “idyllic” as it seems to be.

1) “Fair-Trade Prices” essentially hinder the situation from being improved

Through Fair-Trade Prices farmers and producers are protected from potentially harmful fluctuations in the values of products, but they are also enforced to depend on the concept of Fair-Trade to earn the income they need. As such, they are forced to keep producing the same item again and again without any potential for a “career ascension”, otherwise they will not be able to get the bonus money from their product being sold as one promoting fair trade.

⁵ “Trade-Not-Aid.” Globalization101, www.globalization101.org/trade-not-aid/.

⁶ “WORLD TRADE ORGANIZATION.” WTO | Doha Declaration explained, www.wto.org/english/tratop_e/dda_e/dohaexplained_e.htm.

⁶ “Debating Fairtrade.” Debating Fairtrade – DevelopmentEducation.Ie, developmenteducation.ie/feature/fairtrade-debated/.

2) Misleading marketing

Products approved as Fair-Trade products are often portrayed in advertisements in an extremely positive way, which makes the non-Fair-Trade products attract a lot of negative attention due to people believing they rely on unjust practices when that is not -necessarily- the case.

3) The Fair-Trade concept is considered to be a discrimination by many

The concept in question fundamentally relies, among many other ideas, on the idea of consumers boycotting products of big-name brands and instead favouring producers situated in countries with developing economies so as to boost the countries' economy without any direct involvement of or through the aid of a financial body.

However, such a thing is rather discriminatory in the sense that not every producer in an LEDC has been able to register their product as a Fair-Trade approved one, and, as such, by preferring only Fair-Trade approved products, one may not be helping a producer in need that could -and most probably would- have been helped otherwise.

MAIN COUNTRIES INVOLVED

The problem with the issue at hand is the fact that the G20 Member States have quite dissimilar opinions about the Implementation of Fair-Trade based on their economic status and interests.

Countries with a developing economy

Developing countries are the ones affected by the decisions that are made on this matter. Members of the G20 the economy of which is officially considered⁷ to be in a developing rather than an advanced state encompass the following:

⁷ Investopedia. "Top 25 Developed and Developing Countries." Investopedia, 18 Dec. 2017, www.investopedia.com/updates/top-developing-countries/.

& "World Economic Outlook Database: WEO Groups and Aggregates Information". *International Monetary Fund*. April 2017. Retrieved 10 October 2017.

& "World Economic Outlook: Frequently Asked Questions. Q. How does the WEO categorize advanced versus emerging market and developing economies?". *International Monetary Fund*. 29 July 2017. Retrieved 10 October 2017.

Argentina	Mexico
Brazil	Russia
China	Saudi Arabia
India	South Africa
Indonesia	Turkey

Most of these countries are in favour of the Fair-Trade concept, since it is quite beneficial for them.

Landlocked countries (with a developing economy)

Among the less economically developed Members of the G20, the situation of some is even harsher, seeing as they are landlocked (i.e. they are surrounded by land and no water at all). The trading sector in these countries is already facing many problems as is, so the controversy regarding Fair-Trade is yet another one of these problems and there is, as such, a dire need for overcoming it.

No G20 countries are landlocked, but that does not mean that the problem is not hindering non-G20-affiliated landlocked states from achieving trading under circumstances of equity.

Countries with an advanced economy⁸

Members of the G20 that do not fall under the previous category are considered to have an advanced economy. The policies of these nations vary, with some not having endorsed an official policy but having only hinted at a potential approach to the matter. Specific facts, however, are available for the following economically advanced G20 countries:

Most European Countries & The United States of America

As was mentioned previously as well, in 2003 several European countries as well as the USA decided to partially acknowledge the need for the implementation of the “Trade-Not-Aid” Concept of Fair-Trade by claiming that

⁸ Investopedia. “Top 25 Developed and Developing Countries.” Investopedia, 18 Dec. 2017, www.investopedia.com/updates/top-developing-countries/.

& “World Economic Outlook Database: WEO Groups and Aggregates Information”. *International Monetary Fund. April 2017*. Retrieved 10 October 2017.

& “World Economic Outlook: Frequently Asked Questions. Q. How does the WEO categorize advanced versus emerging market and developing economies?”. *International Monetary Fund. 29 July 2017*. Retrieved 10 October 2017.

subsidies provided to those who occupy themselves in the trading sector of countries with developing economies would gradually get lower subsidies.

However, the actions these States undertook later were quite subtle and did not contribute to achieving this objective.

Nations supporting the fair-trade concept⁹

Which countries are the ones that essentially promote fair trade? Apart from the developing markets where this has been implemented, which benefit from it, it is supported by the citizens of several MEDCs.

Since no specific official policies of countries on the matter can actually be found, a great method of determining which countries are in favour of fair trade is simply determining where fair-trade-products sales are rising.

Without further ado, here is a table showing how popular fair trade managed to become even during an earlier stage (2011-2013):

Germany	33% increase in Fairtrade-Marked product sales
Sweden	28% increase in Fairtrade-Marked product sales
The Netherlands	26% increase in Fairtrade-Marked product sales
United Kingdom	16% increase in Fairtrade-Marked product sales
Switzerland	15% increase in Fairtrade-Marked product sales
Remaining Fairtrade Markets	Increase by over 20% (compared to 2011)

Surprisingly enough, **the USA withdrew from the Fairtrade Project** a little before the beginning of 2012, which led to them dropping the total revenue.

⁹ “Consumers favour Fairtrade as ethical label of choice.” Home, www.fairtrade.org.uk/Media-Centre/News/September-2013/Consumers-favour-Fairtrade-as-ethical-label-of-choice.

RELEVANT ORGANIZATIONS

Fair-Trade International (FLO)

Fairtrade International (FLO) was established in 1997 and is an association of 19 national labelling initiatives, 3 producer networks and 3 marketing organizations that promote and market the Fairtrade Certification Mark in their countries. Fairtrade labelling organizations exist in Canada, the United States, Japan, Australia and New Zealand and in 18 other European countries. To ensure the independence and the transparency of the Fairtrade certification and labelling system, Fairtrade International was divided in January 2004 into two independent organizations, FLO International and FLOCert.

FLO International reviews and develops Fairtrade Standards and assists producers in gaining and maintaining certification, as well as in capitalizing on market opportunities on the Fairtrade market. To ensure the transparency of the system, the standards are developed and reviewed by the FLO Standards and Policy Committee, in which FLO members themselves, producer organizations, traders and external experts participate.

On the other hand FLOCert ensures that traders and producers comply with the FLO Fairtrade Standards and that producers specifically invest the benefits received through Fairtrade in their development. Operating independently from any other interests, FLOCert follows the international ISO standards for certification bodies.

In the year 2009, Fair-Trade certified sales amounted to approximately US \$4.9 billion and €3.4 billion worldwide, which was a 15% increase from 2008. As of 2011, 827 producer organizations in 58 developing countries were FLOCert Fairtrade certified. FLO also oversees national organizations in the countries of South Africa, Korea and the Czech Republic.

Fairtrade Australia & New Zealand (Fairtrade ANZ)

Fairtrade Australia & New Zealand (Fairtrade ANZ) is an active member of the global Fairtrade system and undertakes activities in the following key areas: providing independent certification of the trade chain for products, and licensing use of the Fairtrade Mark on products as a consumer guarantee, growing demand for Fairtrade certified products and empowering producers to sell to traders and retailers on Fairtrade terms, supporting producer organizations and their networks in the Pacific and East Timor, as well as working with partners to support producer organizations in other areas of the world and Raising awareness of the need for Fairtrade in the public and the significant role of the Fairtrade Mark in making trade fair. Fairtrade ANZ is a not-for-profit company limited by guarantee under the Corporations Act 2001 and is an Income Tax Exempt Charity. It works directly with consumers, businesses and numerous campaigners to make trade fair by securing a better deal for farmers and workers.

World Trade Organization (WTO)

The World Trade Organisation is an organisation aimed at ensuring that all trades between UN Member States are made freely, efficiently and without any problems. The WTO ensure that all trade laws are followed, resolves disputes and also assists countries in the negotiation of trade covenants. It was established thanks to the Uruguay Round multilateral trade negotiations which took place from 1986 to 1994.

[Visit webpage →](#)

Consumers International

Consumers International was founded in 1960 in London, UK. It is active in the fields of advocacy and campaigns for trade-related issues affecting consumers worldwide, including: agricultural trade, liberalization of services, competition of policies, intellectual property rules, international finance, textiles and clothing, standards and transparency and accountability of institutions.

Care International

Care International was founded in 1945, in Geneva, Switzerland. It includes 12 Member Organizations and reaches 48 million people in the 70 countries that it's active every year. International Care is active in eight sectors, economic development being one of them. Other activities of the organization include microfinance programs, business skills training and the institutional development of local partner institutions, these being banks, microfinance institutions and community-based and non-governmental organizations. Moreover 71% of Care's activities are devoted to development in poor communities.

Consumer Unity & Trust Society (CUTS International)

Consumer Unity & Trust Society was founded in 1983 in Jaipur, India. Its Members include 300 organizations and 1,000 further individuals. The organizations resource centers include Calcutta, Chittorgarh and New Delhi in India; Nairobi, Kenya; Lusaka, Zambia and London, UK. CUTS International does research, advocacy and networking on governance issues and empowerment of the poor, particularly in rural areas, consumer protection and safety, trade and sustainable development issues, multilateral as well as regional, and competition, investment and economic policy, including regulatory reforms.

WWF International

WWF International was founded in 1961, in Gland, Switzerland. Its staff amounts up to 4.000 workers and it operates in 100 countries. WWF International has two major programs when it comes to International Fair-Trade, the macroeconomics program and the trade and investment program. The macroeconomics program focuses on influencing macroeconomic policies to integrate environmental sustainability and social equity into development strategies. On the other hand the trade and investment

program is involved in influencing international trade and investment issues in the course of pursuing sustainable development goals.

World Fair-Trade Organization (WFTO)

The WFTO - formerly referred to as the “International Fair-Trade Association”- is an organization essentially aimed at assisting and coordinating other organizations that occupy themselves with the Fair-Trade “network”.

World Bank

The World Bank is a body that occupies itself with financial matters and often provides the funding for several UN projects. One of the goals it wishes to have achieved by 2030 is the “promotion of shared prosperity by fostering the income growth of the bottom 40% for every country”. Essentially, it wishes to economically aid countries with developing economies the most. However, financial interference could theoretically be viewed as a violation of the ideals of the Trade-Not-Aid concept.

International Monetary Fund (IMF)

The International Monetary Fund (IMF for short) is an economic organisation uniting 189 countries with the aim of regulating a healthy economy and tackling issues of financial nature that may occur. Among other tasks, one of its main objective is the **facilitation of international trade**.

→On a side note, the Member States of the Fairtrade Organisation, [as listed on the official website](#), comprise the following:

UGANDA 14 Certified Organisations 48048 Certified Farmers	BOLIVIA 35 Certified Organisations 6600 Certified Farmers	COSTA RICA 15 Certified Organisations 23338 Certified Farmers	PERU 112 Certified Organisations 56675 Certified Farmers	ARGENTINA 13 Certified Organisations 1223 Certified Farmers
MALAWI Certified Organisations Certified Farmers	KENYA 82 Certified Organisations 265796 Certified Farmers	COLOMBIA 95 Certified Organisations 47426 Certified Farmers	HONDURAS 27 Certified Organisations 5669 Certified Farmers	PARAGUAY 13 Certified Organisations 9274 Certified Farmers
GHANA 27 Certified Organisations 95445 Certified Farmers	MEXICO 59 Certified Organisations 35339 Certified Farmers	INDIA 77 Certified Organisations 137641 Certified Farmers	DOMINICAN REPUBLIC 33 Certified Organisations 20109 Certified Farmers	PAPUA NEW GUINEA 5 Certified Organisations 3241 Certified Farmers
MALI 8 Certified Organisations 16446 Certified Farmers	GUATEMALA 22 Certified Organisations 12469 Certified Farmers	TANZANIA 17 Certified Organisations 157354 Certified Farmers	VIETNAM 8 Certified Organisations 847 Certified Farmers	
ETHIOPIA 8 Certified Organisations 121874 Certified Farmers	BELIZE 2 Certified Organisations 6289 Certified Farmers	SRI LANKA 18 Certified Organisations 26411 Certified Farmers	CÔTE D'IVOIRE 55 Certified Organisations 34961 Certified Farmers	
NICARAGUA 34 Certified Organisations 30231 Certified Farmers	PERU 112 Certified Organisations 56675 Certified Farmers	SAINT LUCIA 1 Certified Organisations 1518 Certified Farmers	SOUTH AFRICA 38 Certified Organisations 8492 Certified Farmers	

TIMELINE OF IMPORTANT EVENTS¹⁰

1946	The Ten Thousand Villages Organization buys needlework from Puerto Rico
Around 1950	SERRV becomes functional
1968	The United Nations Conference on Trade And Development (UNCTAD) acknowledges the “Trade-Not-Aid” concept
1986-1994	The so-called “Uruguay Round” was a round of multilateral trade negotiations. It also led to the creation of the WTO.
1988	A Fair-Trade product certification system called “Max Havelaar”, a project similar to today’s FLO, is established and implemented in the Netherlands
1989	The World Fair-Trade Organization (WFTO), originally titled “International Fair-Trade Association” (IFTA), is established
1997	The Fairtrade Labeling Organization (FLO) is established
2002	The FLO launches the international “FairTrade” certification mark
2010	The “Fair World Project”, an organization focusing on Fair-Trade from the perspective of the consumers , is established

POSSIBLE SOLUTIONS

Potential solutions include measures such as, but not limited to:

- ✓ New negotiations between countries and organizations so that a global consensus can be reached. Most developing economies are in favour of fair trade as is, while the approach of economically advanced economies seems to be quite cautious as quite dissimilar to the one of another such country.

¹⁰ “Fair-Trade History | Fair World Project.” Fair World Project RSS, fairworldproject.org/about/movements/fair-trade/history/.

& Other annotations on relevant events that can be found throughout this Study Guide

- ✓ Media campaigns aimed at raising awareness among citizens of MEDCs (i.e. consumers) adequately about the issue in an unbiased manner so that they can pick a side to financially support.
- ✓ Establishment of regulatory measures and price quotas concerning products exported by LEDCs, so as to ensure more profitable trade deals for the small-scale producers.
- ✓ Moderation of trade deals and export-imports through new or already existent bodies, that will strive to see if the aforementioned measures are correctly implemented by trading parties.
- ✓ Promotion of anti-dumping policies in general, and in LEDCs affected by the deviation against Fair Trade in specific, in order to support domestic producers and decrease unemployment in the exporting sectors of these LEDCs so they can be more competitive in international markets.
- ✓ Voluntary transparency by large scale parties involved in commodities trading, in order to be able to pinpoint parties that do not choose to follow, and thus are more likely to be exploiting their small-scale trading partners.

In general, assistance related to negotiation of trading deals, trade-regulatory measures favorable for small producers, economic growth of LEDCs involved as well promotion of free fair trade are wanted and should be achieved by all means.

MULTIMEDIA RESOURCES

- ✓ I personally suggest that you check out the following article on the issues stemming from Fair-Trade-approved Coffee:

https://www.huffingtonpost.com/bruce-wydick/10-reasons-fair-trade-coffee-doesnt-work_b_5651663.html

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Also, make sure to check out **all** the references in the footnotes, since they are part of the bibliography too, but have not been added to this section as well. Also, please check out the websites of the organizations mentioned in the relevant section. ■