

# Fair Trade and Neoliberalism

## Assessing Emerging Perspectives

by  
*Gavin Fridell*

---

*Emerging perspectives on the fair-trade network can be grouped into three broad categories on the basis of their overarching assumptions. The “shaped-advantage” perspective depicts fair trade as a project that assists local groups in developing capacities to help offset the negative impact of globalization. The “alternative” perspective depicts fair trade as an alternative model of globalization that, in contrast to the neoliberal paradigm, seeks to “include” the poorest sectors in the purported benefits of international trade. The “decommodification” perspective portrays fair trade as a challenge to the commodification of goods under global capitalism. The grouping that least reflects the full aims of the network, the shaped-advantage perspective, most accurately reflects fair trade’s overall impact. This raises concerns about the ability of fair traders to achieve their objectives within the market-based model they have developed.*

**Keywords:** *Fair trade, alternative trade, ethical trade, neoliberalism, development*

---

As the fair-trade network has grown over the past decade and fair-trade products have become increasingly popular, there has been growing interest in fair trade in academic circles and among nongovernmental development organizations. This interest has given rise to a small but growing body of literature composed of works that have primarily sought to assess fair trade’s potential for combating the negative effects of neoliberal globalization on poor communities in Latin America and the global South.<sup>1</sup> Within this literature, an increasing awareness has emerged of the need for systematic evaluation of fair trade’s impact on local poverty alleviation (Raynolds, 2002b; Taylor, 2002). Less has been said, however, on the

Gavin Fridell is a professor of political studies at Trent University and the author of *Fair Trade Coffee* (forthcoming). He thanks *LAP* members as well as Gregory Albo, Mark Gabbert, Martijn Konings, Liisa North, Viviana Patroni, Tony Winson, and, most of all, Kate Ervine for their critical comments, support, and friendship.

LATIN AMERICAN PERSPECTIVES, Issue 151, Vol. 33 No. 6, November 2006 8-28

DOI: 10.1177/0094582X06294109

© 2006 Latin American Perspectives

necessity for a rigorous assessment of the emerging perspectives on fair trade, a task of equal importance in the pursuit of a fuller understanding of fair trade and its developmental potential. Within the new literature, significantly different interpretations of fair trade and its relation to neoliberal globalization have emerged, but few writers have attempted to clearly define their own theoretical positions, to locate themselves in relation to one another, or to identify important debates. The purpose of this article is to provide a framework for a critical assessment of the different interpretations of fair trade to reveal the implicit debates between them—debates whose relevance extends to the very core of the fair-trade network and the way it confronts or concedes to the imperatives of global capitalism in the era of neoliberalism.

While much of the work on fair trade does not reveal an explicit position, it is possible to extract the main theoretical underpinnings that are implicit in most arguments and through this to identify three broad perspectives. These perspectives, rather than being ideally represented by any one specific writer, are general, overarching views that various fair-trade analysts tend to adopt to different degrees. Some writers adopt multiple perspectives while others tend to focus on one. The first of these is what I have termed the *shaped-advantage* perspective, depicting fair trade as a project that assists local organizations in developing the capacities and infrastructure required to help offset the negative impact of globalization. The second, which I have termed the *alternative* perspective, depicts fair trade as an alternative model of globalization that, in contrast to the neoliberal paradigm, seeks to “include” the sectors that have thus far been “excluded” from the benefits of international trade. The third, which I have termed the *decommodification* perspective, asserts that fair trade represents a challenge to the commodification of goods under global capitalism. Through comparing and evaluating these three perspectives, I argue that the view that least reflects the full aims of the fair-trade network, the shaped-advantage perspective, most accurately reflects fair trade’s overall impact. This raises concerns about the ability of fair traders to achieve their objectives within the market-based model they have developed.

### FAIR TRADE IN HISTORICAL CONTEXT

Before proceeding with an assessment of the three perspectives outlined above, it is essential to place the fair trade network in its historical context. While most analysts have focused on fair trade in the era of neoliberal globalization, the network was first developed in the 1940s and 1950s, during

the Bretton Woods era, and changed significantly in the 1980s in response to neoliberalism. The international trade and development regime of the early period was characterized by national and international capital controls, a degree of international market regulation for commodities, and calls in official international forums for a new international economic order premised, among other things, on major changes in the international trade system to benefit Southern producers (Fridell, 2004a; Helleiner, 1994). The fair-trade network emerged and developed in this context and was originally premised on laying the groundwork for an alternative trading system composed of alternative trade organizations that would form part of a new international economic order based on strong state intervention at the national and international levels (Fridell, 2004a).

The goals of the network changed in the late 1980s as fair traders sought to gain access to conventional markets that they hoped to reform. This reorientation was led by the emergence of fair-trade labeling initiatives, under the name of Max Havelaar, TransFair, or the Fair Trade Federation (FTF) and coordinated under the umbrella organization Fair Trade Labelling Organizations International (FLO), which sought to certify conventional corporations willing to meet FLO's fair-trade criteria (FLO, 2003a). FLO-certified goods are exchanged under the terms of a minimum guaranteed price and include social premiums paid by the buyer to assist producer communities in developing social and physical infrastructure such as hospitals, schools, and processing facilities. Goods are produced under the conditions of no child labor, environmental sustainability, strict labor standards based on the ILO Conventions, and various regulations to ensure democratic participation in small-producer cooperatives and unionized plantations (FLO, 2003a). FLO currently has international fair-trade standards for a variety of goods, including coffee, tea, cocoa, bananas, honey, cane sugar, orange juice and other fruit juices, rice, mangos, pineapples, and, as of 2002, even sports balls.

The reorientation of the network was, in part, driven by the desire to increase the size of fair-trade markets, which were too small to meet the needs of the certified partners in Latin America and the global South that produced and exported fair-trade goods (Hans Bolscher, interview, Utrecht, 2002; Waridel, 2002: 93–96; Simpson and Rapone, 2000: 47–54; Renard, 1999: 493–496). An equally important impetus, however, was the changing political, economic, and ideological conditions created by neoliberal reforms that brought about a major decline in national and international capital controls and market regulation and derailed calls for a new international economic order.<sup>2</sup> Following these trends, fair traders adopted a new, market-driven vision of fair trade based on nonbinding, voluntarist commitments from private

corporations. The result has been a financial success for the network, which has seen its greatest growth in the era of neoliberal globalization.<sup>3</sup> This growth has been driven by the increasing participation of national, regional, and international bodies as well as transnational corporations that view the network as a voluntarist alternative to state regulation (Fridell, 2004b).

The rapid growth of the fair-trade network since its reorientation in the late 1980s has brought with it both important gains and concessions. The growth of fair-trade sales has meant that more Southern farmers and workers have gained access to fair-trade standards. The number of Southern partners certified by the network is tiny compared with conventional trade but not insignificant. In the fair-trade coffee sector, for example, in 2002 there were 670,000 coffee farmer families on the FLO register (the vast majority from Latin America) out of an estimated 25 million coffee families worldwide (FLO, 2003b). While little systematic empirical work has yet been conducted to assess the overall impact of fair-trade standards throughout the network, the case studies available reveal that certified producers have, to varying degrees, attained enhanced access to much-needed social and economic infrastructure and that the network has often served as an important initiator and supporter of local development.<sup>4</sup> Nowhere is this more apparent than in the case of the Unión de Comunidades Indígenas del Región del Istmo (UCIRI), a fair-trade coffee cooperative in Oaxaca, Mexico, with a membership of over 2,500 families. Through its participation in the network, UCIRI has been able to provide its members with higher incomes and significantly better access to social services, credit, and technology and has constructed its own processing and transportation facilities. All of this has improved its members' capacities to combat extreme poverty, malnutrition, and environmental degradation and enhanced their abilities to survive and compete on the international market (Fridell, 2005: 248–315; Waridel, 2002; Francisco VanderHoff Boersma, interview, San José el Paraíso, October 12, 2002; 2002; Simpson and Rapone, 2000).

The gains of the network, however, have not come without a cost. To attain this growth, fair traders have had to win the support of neoliberal public institutions and conventional transnationals. Many of these institutions and corporations, at both the national and the international level, have employed token support for the fair-trade network as an ethical fig leaf to mask their devotion to a broader neoliberal agenda that runs contrary to the needs of small farmers and rural workers. The World Bank, for example, a primary architect of neoliberal globalization, began offering fair-trade coffee to all of its employees at its head office in 2001. Many transnationals have done the same, devoting a small percentage of their sales to the network to attain positive publicity while continuing to carry on with business-as-usual

in the vast majority of their operations in the South and the North.<sup>5</sup> Perhaps most important, to gain the support of conventional partners fair traders have had to abandon their original vision of the network as an alternative trading system based on international market regulation in favor of a more moderate vision aimed at reforming the existing trading system on the basis of voluntary commitments from corporations and consumers.

The reorientation of the network marked a key turning point in the history of fair trade the importance of which is not captured in most of the emerging literature. Understanding the vision of the network prior to its reorientation is essential for effectively examining the historical evolution of the network and the prospects and limitations of its current orientation, as well as for assessing the recent perspectives on fair-trade, all of which have, to varying degrees, departed significantly from the original vision.

An important work that reflects the vision of major fair-trade groups prior to the network's reorientation is that of Michael Barratt Brown (1993), the founding chair and trustee of the Third World Information Network and Twin Trading Ltd. This work is heavily influenced by the Latin American structuralist school and dependency theory and the concept of "unequal exchange"—the idea that the major cause of underdevelopment in the South is a deterioration in the price of primary commodities (coffee, tea, cocoa) in relation to that of manufactured goods over time.<sup>6</sup> This results in a systematic transfer of surplus wealth from the South, which is dependent on primary production, to the industrialized North. Barratt Brown argues that fair trade can provide solutions to the causes of unequal exchange by giving Southern producers greater access to technology, education, credit, and value-added processing and storage facilities while at the same time protecting them from the whims of the global market through guaranteed prices, strict labor standards, and bonds of solidarity between producers and consumers.

In addition, he depicts the fair-trade network as part of a broader strategy to develop an alternative trading system based on international market regulation. Without market regulation, giant Northern transnationals will continue to monopolize the global economy and profit through speculation and manipulation, while small producers will continue to suffer as a result of these actions. In consequence, Barratt Brown asserts that fair trade must ultimately be about constructing a new international economic order based on democratically controlled state marketing boards, with grassroots control at all levels and direct links between Northern consumers and Southern producers through projects such as the network, ecological and organic certification bodies, and consumer-producer unions. The final outcome would be a decentralized economy based on "a parallel trading system and an alternative trade

network within that system growing up side by side with the present organization of world trade by giant companies" (Barratt Brown, 1993: 134).

Most of the writers who have analyzed fair trade in recent years have, to varying degrees, departed from Barratt Brown's vision and followed neoliberal trends in the network and the international political-economic order in general. In place of Barratt Brown's focus on the nation-state as a primary agent in development, most analysts now focus on nongovernmental organizations (NGOs). Instead of adopting Barratt Brown's vision of using the fair-trade network as a stepping stone toward creating a parallel trading network that, in the long run, aspires to be free from the pressures imposed by profit-driven transnationals and the imperatives of capitalism, most analysts now depict the network as a project aimed at attaining developmental gains within the existing trading system. Yet, while the new works on fair trade share these broad divergences from the analysis of Barratt Brown, they present very different perspectives on what fair trade as a reformist project should or can entail.

### FAIR TRADE AS SHAPED ADVANTAGE

The first emerging perspective on fair trade, that of shaped advantage, can be derived from writers who tend to focus on fair trade as an exercise in enhancing the "social and cultural capital," "institutional capacity," and marketing skills needed for poor producers to enter the global market under more favorable conditions by taking advantage of a socially conscious "market niche" in Europe and North America (Page and Slater, 2003; LeClair, 2002; Simpson and Rapone, 2000; Blowfield, 1999; Renard, 1999; Sick, 1999; Littrell and Dickson, 1999; Bird and Hughes, 1997). Fair trade is viewed as mitigating the inevitability of globalization by providing a nongovernmental approach to price subsidies and a degree of social welfare in the wake of the death of the "developmental state." This is similar to the view expounded by promoters of the "third way," who depict globalization as irreversible and consider the proper role of government to be removing the specific constraints that have impeded certain groups from attaining the greatest possible benefit from the global market.<sup>7</sup>

Along this line of thinking, the shaped-advantage perspective depicts fair trade as a project designed to assist poor producers in improving their position in the global economy through training and the development of networks based on trust and cooperation. Most of the case studies conducted on fair-trade cooperatives reveal that the network can serve as an important supporter of local development for specific groups (Raynolds, 2002b; Taylor, 2002). Yet,

as is argued by most of the writers who adopt this perspective, the number of Southern producers that the network can reach and the price of fair-trade goods are ultimately both significantly limited by the network's complete reliance on the individual purchasing decisions of Northern consumers.

As pertains to the prices for fair-trade goods, writers emphasizing this view point out that prices are significantly limited by consumer demand and the imperatives of the market. While fair-trade prices are higher than conventional market prices, they cannot be so high as to scare off consumers, confined by what Marie-Christine Renard calls "the difficult compromise between ethical principles and the market" (LeClair, 2002; Blowfield, 1999; Renard, 1999: 497). This compromise also has an impact on the social justice message promoted by the fair-trade network, as it must be radical enough to attract a core group of ethical consumers but not so radical as to alienate a broader base of "semi-ethical" consumers (Bird and Hughes, 1997: 164). Through the discipline of the market, these factors impose strict limits on what "fair" entails.

For evidence of the validity of these claims one need only look at the current basic minimum price for fair-trade arabica coffee beans of \$1.26 per pound, more than twice the current conventional coffee price, which is in a major slump because of overproduction (Oxfam International, 2002a). Should conventional prices rise, the fair-trade price will also rise to remain \$0.05 cents higher. While this price is high compared with current conditions, when viewed historically it is relatively low and consistent with conventional prices. From 1976 to 1989 and from 1995 to 1998, the international price for conventional Brazilian arabica beans was generally close to or well above \$1.26 per pound (UNCTAD, 2004).<sup>8</sup> It would be impossible, given the historically exploitative conditions under which coffee producers have lived and worked (see Pendergrast, 1999; Dicum and Luttinger, 1999), to claim that during these years the price of coffee beans was fair. This reveals that the price of fair-trade coffee beans is not determined solely on the basis of social justice (which would warrant a price much higher than conventional ones) but limited to a price that is "(as) fair (as possible)" given the demands of Northern consumers (Renard, 1999: 496). In the case of the UCIRI cooperative mentioned earlier, this has meant that while the fair-trade price has helped to eliminate extreme misery among its members, "it cannot be said that these incomes are adequate to secure the survival of the families of producers" (VanderHoff Boersma, 2002: 20). In 2002, poverty compelled around 150 UCIRI members to leave their farms in search of temporary work in the cities, a common survival strategy in poor rural communities in the region (Francisco VanderHoff Boersma, interview, San José el Paraíso, October 12, 2002).

Writers emphasizing a shaped-advantage perspective also point to trends in fair-trade sales and express concern that severe limits to the further expansion of fair-trade markets may well exist that will limit the number of producers who can participate in the network (LeClair, 2002; Renard, 1999; Bird and Hughes, 1997). There is much evidence to support these claims. The fair-trade coffee sector, for example, traditionally the growth leader in the network, has never been able to meet the needs of Southern partners, who on average are currently selling only 20 percent of their beans on fair-trade markets (Raynolds, 2002b: 11; Renard, 1999: 498). Moreover, while growth rates in relatively new markets such as the United States and Canada have been high in recent years, sales figures for fair-trade coffee in long-established markets have stagnated, suggesting that a significant growth ceiling may well exist for the entire network. Among major fair-trade coffee-consuming countries, from 1999 to 2001 fair-trade coffee sales remained stagnant in the Netherlands and declined by 2 percent in both Germany and Switzerland (Giovannucci, 2003; FLO, 2001; EFTA, 2001: 33–36).

While the shaped-advantage perspective offers an effective critique of the market limits of fair trade, it also suggests that the project must remain confined within these limits because of the seemingly unalterable and inevitable emergence of globalization. Although many of the writers who emphasize this perspective do not necessarily view neoliberal globalization as positive for the world's poor (in particular, see LeClair, 2002; Simpson and Rapone, 2000; Renard, 1999), they do nevertheless tend to depict it as inevitable and consider the network as primarily aspiring to protect a select group of producers from its worst effects. The emergence of neoliberal globalization and the decline of the nation-state, however, are neither inevitable nor irreversible. While the imperatives of competition on a world market have lessened the ability of individual states to act autonomously, this situation is to a significant extent self-imposed by nation-states that have actively developed and pursued neoliberal political-economic agreements (Albo, 1996). This is especially true of the rich nations in the North, in particular the United States, which have constructed neoliberal globalization in their own interest and continue to employ its concepts selectively to their own benefit (Gowan, 1999). A telling example of this is Northern countries' refusal, despite the demands of Southern states in international forums like the World Trade Organization (WTO), to adhere to the tenets of "free trade" by lowering Northern protectionist barriers to Southern commodities and eliminating Northern agricultural export subsidies (Oxfam International, 2002b).

The effect of an overemphasis on shaping advantage and the inevitability of globalization is to stress microeconomic adjustment at the local level

rather than confronting highly unequal macroeconomic relations of power at the international level. The economist Ben Fine's critique of social capital is instructive in this regard. According to Fine, social capital moved to the forefront of development thinking and the social sciences in the late 1990s, promoted by the World Bank, which sought a nonstate solution to the growing social inequalities caused by the global economy. In line with the World Bank's agenda, Fine asserts that social capital promotes the idea that capital is a thing—as opposed to a social relation premised on class exploitation—and directs development strategies away from altering unequal macrorelations of class power and toward correcting “micro-imperfections in economic and non-economic relations” (Fine, 1999: 2). This critique can be broadly applied to the shaped-advantage perspective, which limits its vision of the developmental prospects of fair trade to one which, in the words of James Petras, confines itself to working “within the niches of the free market imposed by the World Bank and structural adjustment” (1997: 26).

An overemphasis on shaping advantage at the local level results in neglect of the international political-economic forces that continue to mould the everyday lives of fair traders, as well as the tens of millions of Southern producers who are not members of the network. Under the auspices of neoliberal reforms, the most important decisions concerning the welfare of citizens have been moved out of national democratic control and into the hands of international financial organizations such as the WTO and the World Bank, whose shortsighted policies have had devastating effects on the world's poor (Stiglitz, 2003; Weisbrot et al., 2001; Vilas, 1997).

The aforementioned global coffee crisis is a telling example of this. The plunge in coffee prices has been largely due to a series of events initiated by neoliberal states and international financial institutions, beginning with the collapse of the price support mechanisms of the International Coffee Agreement (ICA) in 1989. This has been combined with the debt crisis and the neoliberal policies of the World Bank and the International Monetary Fund (IMF), which have used their leverage over indebted poor countries to promote the expansion of commodity exports. Faced with the need to earn foreign exchange to service their debt payments, countries like Vietnam have responded by stepping up the export of commodities such as coffee, leading to further global oversupply and declining prices (Talbot, 2004: 75–77, 127–128). The impact has been bankruptcy, mass migration, and starvation for tens of thousands of small coffee farmers around the globe (Ross, 2002; Oxfam International, 2002a; Global Exchange, 2001). The greatest impact on the network has been the growing gap between conventional coffee prices and fair-trade coffee prices, which has been largely

responsible for the leveling-off of fair-trade coffee sales globally (FLO, 2001). Fair traders' response to this situation has been to step up efforts to sell coffee, which has involved the growing participation in the network of the very institutions that have largely been responsible for the coffee crises in the first place (Fridell, 2004a, 2004b).

A final shortcoming of an overemphasis on shaped advantage is that it does not adequately reflect the broad aims of the NGOs most actively involved in the fair-trade network. To certification bodies such as FLO and to important fair-trade promoters such as Oxfam International, what fair trade is about is not just enhancing the abilities of Southern partners to survive and compete in the global economy but confronting and changing the unfair structures of world trade. To these organizations, the network is an alternative to the neoliberal paradigm expounded by the rich countries in the North, the World Bank, the IMF, and the WTO (Francisco VanderHoff Boersma, interview, San José el Paraíso, October 12, 2002; Oxfam International, 2002a; FLO, 2001; IFAT, 2001). These broader aims are generally overlooked by writers who emphasize the shaped-advantage perspective. An important exception to this is the recent work of Renard, who points out that fair traders do have a long-run objective of "transforming global production" but questions whether the network's market-driven model is truly capable of attaining this (2005: 426). This contradiction is key to understanding and assessing the perspectives that follow, as well as the prospects of the fair-trade network in general.

### **FAIR TRADE AS ALTERNATIVE GLOBALIZATION**

The second perspective is that of fair trade as a model for an alternative to the neoliberal paradigm (Jaffee, Kloppenburg, and Monroy, 2004; Waridel, 2002; Lappé and Lappé, 2002; Raynolds, 2002a; VanderHoff Boersma, 2001). These writers' model for the international trade and development regime comes closer than that of the shaped-advantage group to the vision of fair trade expressed in the work of Barratt Brown. However, in line with fair trade's new orientation, the state is not seen as a primary agent in development, and the goal of the network is depicted as providing an alternative to neoliberal policies but not to the global capitalist system in general.

Many writers who focus on this perspective depict fair trade as a true "free-trade" movement, in neo-Smithian terms, as opposed to the neoliberal version that obscures protectionism and monopoly in the interest of rich countries in the North and their transnationals (Waridel, 2002; Lappé and Lappé, 2002; VanderHoff Boersma, 2001). Others, drawing on the work of

Karl Polanyi, see fair trade as a way to “reembed” international trade relations and change the rules for “how markets are constructed and administered, how they deliver and apportion economic benefits to participants” (Jaffee, Kloppenburg, and Monroy, 2004: 192; Reynolds, 2002a). What these disparate writers share is an emphasis on fair trade as a rejection of neoliberal globalization in favor of new vision of globalization that seeks to include the socially excluded majority in the South in its purported benefits (Jaffee, Kloppenburg, and Monroy, 2004: 192; VanderHoff Boersma, 2001). They depict fair trade as a project designed to challenge neoliberal policies and reform the market so that it “serves people, and not the other way around” (Jaffee, Kloppenburg, and Monroy, 2004: 192; Waridel, 2002: 121-122; Lappé and Lappé, 2002: 299; VanderHoff Boersma, 2001: 4).

As does the shaped-advantage perspective, the alternative perspective depicts fair trade as a mechanism through which peasants and workers can overcome obstacles to taking a more active part in the global economy. At the same time, it goes beyond the shaped-advantage perspective in viewing fair trade as a political project that seeks not only to address poverty and marginalization at the local level but to confront the structural causes of these effects. While those writing from a Polanyian point of view tend to be cautious about what this model might entail beyond saying that it includes “reembedded markets,” those writing from a neo-Smithian view point offer more explicit prescriptions. For the latter, the model offered by fair trade is derived from a radical interpretation of Adam Smith positing that “true” free trade will work in the best interest of all producers and consumers, big and small, as long as the state intervenes to prevent monopoly and to provide basic social services to its citizens (Waridel, 2002: 11; Lappé and Lappé, 2002: 299–300; VanderHoff Boersma, 2001: 4). These writers do not depict fair trade as a movement toward a heavily regulated global economy such as that envisioned by Barratt Brown. They do, however, envision a certain amount of market regulation to expand the benefits of fair trade and ensure its long-term feasibility. This includes the basic components of the welfare state—state-provided social welfare and infrastructure, capital controls, and some protectionist measures for weak sectors of the domestic economy—as well as extra taxes for transnationals and labeling systems that force corporations to give information about the social and environmental impacts of their products. Such mechanisms would, they argue, give a competitive advantage to fair traders at the expense of transnationals (Waridel, 2002: 24–27; Lappé and Lappé, 2002).

Writers adopting this perspective not only depict fair trade as an alternative model to the current order but employ it as a critique of the hypocrisy of Northern states that use neoliberal reforms and the rhetoric of “free

trade” to open up Southern markets while maintaining their own protectionist measures. These writers are correct to point out that international trade rules are, in the words of Oxfam International (2002b), “rigged” against poor states and poor producers and workers in the South. Despite the decades-long demands of Southern governments and international NGOs, rich Northern nations continue to subsidize their agriculture to the tune of US\$1 billion a day and dump their surpluses on world markets to the detriment of poorer Southern producers. And developing countries continue to face barriers to their exports to the North that are four times those encountered by rich countries (Stiglitz, 2003; Oxfam International, 2002b).

The strength of the alternative perspective is that it proposes a vision of fair trade that goes beyond the microeconomic tinkering of the shaped-advantage perspective and is more in line with the goals of major fair-trade organizations. Yet, despite this, it does not necessarily provide a more accurate depiction of what fair trade ultimately is capable of attaining (Renard, 2005). A key flaw in the alternative view is its portrayal of the fair-trade network as a direct challenge to neoliberalism. In fact, the success of the network since its reorientation has been achieved not because it is an alternative to neoliberalism but because it is highly compatible with neoliberalism. The rapid growth of the network since the late 1980s can be attributed to its nonstatist development strategy, which has focused on voluntarism and mainstreaming (Fridell, 2004a). The growth of fair-trade labeling has been part of a broader transformation in the international trade and development regime that has involved the decline of state intervention and market regulation and the rise of NGO-led development projects. Many of these NGOs receive funding from official institutions such as the World Bank, which view them as a nonstatist solution to the negative social and environmental consequences of neoliberal reforms (Fine, 1999; Petras, 1997: 27). In the view of the World Bank and the other public institutions and private corporations that have been central to its growth, the network is *part* of this neoliberal transformation. In the era of neoliberalism, the network, with its voluntary nonstatist program, has replaced older, statist prescriptions for addressing global inequality such as internationally regulated commodity control schemes and state-enforced international labor standards (Fridell, 2004a).

In addition to neglecting the extent to which the fair-trade network is compatible with neoliberal globalization, writers who emphasize the alternative perspective tend to overlook the limits of the network’s market-driven project. These limits raise serious concerns about the network’s ability to continue to expand and, ultimately, to serve as a model upon which to construct a feasible alternative international trade and development

regime. As highlighted by the shaped-advantage perspective, consumer demand and the imperatives of the market impose significant limits on the price of fair-trade goods, the content of fair trade's social justice message, and the size and growth of fair-trade niche markets.

Moreover, from a historical perspective the limits of the market have compelled fair traders to abandon their original vision of a state-regulated alternative trading system and instead deal increasingly with giant transnationals. These corporations generally make only relatively mild commitments to fair trade—Starbucks, for example, sells only around 1–2 percent of its coffee beans under the fair-trade system—but attain positive publicity that masks their devotion to exploitation-as-usual in the vast majority of their operations and their continued support for a broader neoliberal project (Rogers, 2004; Fridell, 2004a). These realities have given rise to growing controversy within the network, and a handful of small-scale fair-trade coffee roasters in the United States have recently broken with FLO to form a new association composed entirely of small 100 percent fair-trade coffee companies (Rogers, 2004). The history of the network reveals that the imperatives of the capitalist market continue to constrain and erode its vision and raise concerns about its future direction. In consequence, the more limited vision of the network expounded by the shaped-advantage perspective likely provides a more accurate assessment of its ultimate potential.

### FAIR TRADE AS DECOMMODIFICATION

The final perspective, decommodification, is the focus of some writers' work on fair trade (Hudson and Hudson, 2003; Elson, 2002) and is also expressed by most of the writers who adopt one of the other two perspectives. Most fair-trade analysts argue that, more than a challenge to the social inequalities in global trade, fair trade is a significant challenge to the core values of global capitalism and its imperatives of competition, accumulation, and profit maximization. While fair trade's ability to challenge the global trading system directly is limited, its greatest potential is seen in its ability to raise awareness among Northern consumers of global inequalities by revealing the conditions under which Southern goods are produced (LeClair, 2002: 956; Simpson and Rapone, 2000: 54; Blowfield, 1999: 767; Bird and Hughes, 1997: 166).

Others go beyond this to assert that fair trade challenges the very nature of capitalist culture and the atomization, individualism, and anonymity characteristic of market exchanges under capitalism. In this vein, Charles Simpson and Anita Rapone argue that fair trade calls attention to "the cultural

impoverishment of capitalism—its erosion of social solidarities and its materialist rather than transcendent motivational structure” (2000: 55). Laura Reynolds asserts that “fair trade networks socially re-embed commodities, so that items arrive at the point of consumption replete with information regarding social and environmental conditions under which they were produced and traded” (Jaffee, Kloppenburg, and Monroy, 2004; Reynolds, 2002a: 415). Laure Waridel and Frances Moore Lappé and Anna Lappé maintain that fair trade frees consumers from the “mental colonialism” or “thought traps” that hide the truth about the way goods are produced in a capitalist system (Waridel, 2002: 23; Lappé and Lappé, 2002: 27–31).

Although most do not directly draw on Marxist concepts in their analysis, these writers are essentially arguing that fair trade challenges the “fetishism of commodities,” in which social relations among people appear as relations among things (Marx, 1978: 319–329). This is a necessary outcome of the capitalist mode of production, which compels people to engage the market as self-interested individuals, whether as atomized consumers or as workers alienated from the commodities that they have produced. Diane Elson (2002) even depicts fair-trade labeling and similar projects as key to her vision of a future socialist society based on a “socialized market.” From the work of Elson, Hudson, and Hudson (2003), and others, two essential arguments can be extracted: (1) fair trade reveals the social and environmental conditions under which goods are produced, challenging the commodification of these goods into items with an independent life of their own, and (2) fair trade affirms noneconomic values of cooperation and solidarity that challenge the capitalist imperatives of competition, accumulation, and profit maximization (Hudson and Hudson, 2003; Waridel, 2002: 24–27, 100–113; Lappé and Lappé, 2002: 199–203, 293–296; Elson, 2002; Reynolds, 2002a: 415–420; Simpson and Rapone, 2000: 47–55).

An examination of these claims reveals that, while the network might provide a symbolic challenge to capitalist culture, its actual impact falls short of a significant challenge to the commodification of goods because of the limits of its market-driven project. First, it is argued that fair trade bridges the gap between producer and consumer by revealing the conditions under which goods are produced. Thus, in purchasing fair-trade goods, Northern consumers are not merely buying a commodity for sale but relating directly with Southern producers through an “associative” network based on ethical values (Elson, 2002). While bonds of North/South solidarity promoted by fair trade are indeed positive and represent a challenge to the *principles* of market exchange under global capitalism, this challenge is strictly limited by existing capitalist relations of property and labor. Truly disrupting the fetishism of commodities involves not just making information on how a

good is produced available to consumers but carrying out production in a democratic and consciously regulated process in which both producers and consumers are accountable for the decisions they make. In the fair-trade network the role of consumers is entirely voluntary, and they are not responsible for the outcomes of their decisions. Thus, market choices that can be a matter of life and death for fair-trade producers are merely ethical shopping options for Northern consumers who base their decisions on a variety of factors, including cost, convenience, image, and level of disposable income. In this sense, fair-trade appears to be less about challenging the fetishism of commodities than about reinforcing the commodification of our daily lives, as it now becomes possible to purchase ethics at the local supermarket.

Second, it is argued that the network's noneconomic values of cooperation and solidarity are a challenge to the capitalist market imperatives of competition, accumulation, and profit maximization. Indeed, there is much evidence demonstrating that fair trade, like any democratic, cooperative project, challenges the principles of capitalism. A portion of the profits that accrue to fair-trade cooperatives is used to construct social infrastructure needed by the community rather than reinvested for further capital accumulation or distributed to private pockets. Fair-trade producers and importers work together to attain the fairest trading relationship possible, and large producer cooperatives at times provide assistance to other, smaller ones (Taylor, 2002: 7; Simpson and Rapone, 2000: 53).

Yet, while fair trade represents a challenge to the moral economy of capitalism, capitalism is more than a set of ethical values (McNally, 2002). Competitive and exploitative behavior under capitalism is not primarily a result of lack of scruples or greed as many fair-trade analysts would assert. Rather, it is a result of the imperatives of the capitalist market, which compel all producers to compete, accumulate, and maximize profits in order to remain competitive and survive. While the ethical aspirations of fair trade have been able to mitigate the worst effects of these imperatives, the fair-trade network has not been able to escape the power of the global market, which has imposed strict limits on it and threatens to erode its culture of solidarity and cooperation. For example, as the fair-trade coffee sector has evolved it has become increasingly difficult for less developed coffee cooperatives to find a market share and extremely difficult for new groups to gain a place on the FLO register because of a stagnating fair-trade coffee market. The strongest cooperatives have been able to sell most of their coffee beans on fair-trade markets and have gained access to loans and other assistance offered by various donors, while less well-established cooperatives have not (Raynolds, 2002b: 11; Taylor, 2002: 35–26). This situation is

producing increasing competition among fair-trade cooperatives and among uncertified cooperatives seeking entrance to the network, a process that will likely continue to escalate over time unless a rapid expansion of fair-trade coffee sales can be obtained.

In the final analysis, while fair trade does represent an important symbolic challenge to the principles of market exchange under capitalism, the fetishism of commodities occurs because of structural imperatives that cannot be genuinely confronted through fair trade's market-based project. While fair-trade goods do formally reveal the social and environmental conditions under which goods are produced, consumers in the North remain individuals disconnected from producers and are unaccountable for their market decisions. While fair trade does affirm noneconomic values of cooperation and solidarity, in the end the capitalist imperatives of competition are not a matter of choice but a necessity for all economic enterprises that wish to survive under global capitalism. Thus, as is the case with the alternative globalization perspective, the decommodification perspective offers a vision of the fair-trade network that appears to go beyond the network's actual impact and potential.

### **THE LIMITS OF THE FAIR-TRADE NETWORK**

In the end, while the goals of major fair-trade organizations and the expectations of some analysts transcend those of the shaped-advantage perspective, it is not clear that fair trade's actual impact does so. The network's increasingly nonstatist and procorporate orientation makes it compatible with neoliberal reforms, which in part accounts for its marketing success over the past decade. While analysts are correct to point out that fair trade offers an important symbolic challenge to commodity fetishism, the relationship between producer and consumer remains mediated by the market, and the network remains ultimately confined by the imperatives of capitalism, which have limited and threaten to erode its cooperative values. The power of the capitalist market to wear down fair trade's alternative project was anticipated by Barratt Brown, and it was for this reason that his vision for fair trade entailed strong national and international market regulation and the development of a parallel trading system that would ultimately present itself as a distinct alternative to the existing global trading system. In moving away from the vision promoted by Barratt Brown, the network has also moved away from its alternative project and toward the moderate vision of fair trade offered by the shaped-advantage group: providing some capability enhancement to a limited number of Southern partners while the

fair-trade price, message, and market share remain significantly constrained by the imperatives of capitalism. Yet, this assessment does not fully reflect the broader political aims of fair-trade organizations, which raises concerns about the potential disparity between what fair traders aspire to accomplish and what the network seems ultimately capable of attaining. As it stands, rather than presenting a radical challenge to conventional trade, the network appears to be assisting certain groups to enter the global capitalist market on better terms.

## NOTES

1. The term “global South” is used here to denote the poorer countries of Asia, Africa, and Latin America that are targeted by the fair-trade network. It is used synonymously with “South” and “Southern.”

2. The emergence of neoliberal globalization is frequently depicted as an inevitable outcome of changing economic and/or technological conditions. However, while changing economic and technological conditions in the 1970s provided the context under which pressures emerged for changes to the international political economic order, the actual changes that were undertaken—neoliberal reforms—were a result of political decisions driven by the most powerful states (especially the United States) and in their interest. See Gowan (1999) and Helleiner (1994).

3. Sales of FLO-certified goods grew by 35 percent from 1997 to 2000. The total retail turnover of FLO-certified goods in 2000 was worth over US\$196 million, of which more than US\$49 million went directly to producers, around 40 percent more than would have been justified by conventional prices (FLO, 2001).

4. For case studies that assess the strengths and weaknesses of fair-trade coffee in promoting local development, see the articles of the Fair Trade Research Group at <http://www.colostate.edu/Depts/Sociology/FairTradeResearch> Group. In particular, see Reynolds (2002b) and Taylor (2002).

5. These themes are dealt with in greater detail in Fridell (2004a; 2004b).

6. For concise examples of the work of key thinkers in dependency theory, see Frank (1972), Wallerstein (1974), Amin (1977), and Cardoso and Faletto (1979). The Latin American structuralist school, represented especially by the work of Raúl Prebisch (1950), has had a significant influence on dependency theory, and some structuralist theorists, such as Celso Furtado (1976), are frequently grouped with dependency theorists. The essential difference between the two is that structuralists have generally accepted that development could happen without delinking from the global capitalist system (Hunt, 1989: 50–51, 208–210). It can often be difficult to separate structuralist theorists from dependency theorists, and Prebisch asserted that dependency theory had “modified and enriched” the structuralist works of the 1950s (1980: 23).

7. The use of the concept “shaped advantage” is here drawn from Gregory Albo (1996), who critiques social democratic strategies in the North for accepting that “there is no alternative” to neoliberal globalization. The result is a situation in which one country’s ability to “shape advantage” in its favor is possible only at the expense of another. For example, Albo asserts that the ability of rich states to maintain their welfare provisions is, in the final analysis, based on their ability to out-compete other countries that are, in turn, deprived of the

resources to fund their own welfare programs: “The world can stand only so many Swedens of competitive devaluations, Japans of import controls, or Germanys of austerity shaping advantage to prop up export surpluses and employment” (14–15).

8. This price comparison is based on the FOB (free-on-board) price for conventional and fair-trade green beans, which includes the cost of transporting the beans to port for export. In general, conventional farmers receive around 60–70 percent of the FOB while fair-trade farmers receive around 80 percent (Talbot, 2004: 207–209). Despite this fact, during many of the years in question conventional prices were much higher than the current fair-trade price.

## REFERENCES

- Albo, Gregory  
1996 “The world economy, market imperatives, and alternatives.” *Monthly Review* 48 (7): 6–22.
- Amin, Samir  
1977 *Imperialism and Unequal Development: Essays by Samir Amin*. New York: Monthly Review Press.
- Barratt Brown, Michael  
1993 *Fair Trade: Reform and Realities in the International Trading System*. London: Zed Books.
- Bird, Kate and David R. Hughes  
1997 “Ethical consumerism: the case of ‘fairly-traded’ coffee.” *Business Ethics: A European Review* 6 (3): 159–167.
- Blowfield, Mick  
1999 “Ethical trade: a review of developments and issues.” *Third World Quarterly* 20: 753–770.
- Cardoso, Fernando Henrique and Enzo Faletto  
1979 *Dependency and Development in Latin America*. Berkeley and Los Angeles: University of California Press.
- Dicum, Gregory and Nina Luttinger  
1999 *The Coffee Book: Anatomy of an Industry from Crop to the Last Drop*. New York: New Press.
- EFTA (European Fair Trade Association)  
2001 *EFTA Yearbook: Challenges of Fair Trade 2001–2003*. Maastricht.
- Elson, Diane  
2002 “Socializing markets, not market socialism,” pp. 67–85 in L. Panitch and C. Leys (eds.), *Socialist Register 2002: Necessary and Unnecessary Utopias*. Black Point, Nova Scotia: Fernwood Books.
- Fine, Ben  
1999 “The developmental state is dead—long live social capital.” *Development and Change* 30: 1–19.
- FLO (Fair Trade Labelling Organizations International)  
2001 *Report 2000–2001: Developing Fair Trade’s Labelling*. Bonn.  
2003a *Fair Trade Standards in General*. Bonn.  
2003b *Report 2002–2003: Cum Laude*. Bonn.
- Frank, Andre Gunder  
1972 *Lumpenbourgeoisie: Lumpenddevelopment*. New York: Monthly Review Press.

Fridell, Gavin

2004a "The fair trade network in historical perspective." *Canadian Journal of Development Studies* 25: 411–428.

2004b "The university and the moral imperative of fair trade coffee." *Journal of Academic Ethics* 2 (1): 141–159.

2005 "Fair trade in an unfair world? The prospects and limitations of social justice coffee." Ph.D. diss., York University.

Furtado, Celso

1976 *Economic Development of Latin America*. 2d ed. Cambridge: Cambridge University Press.

Giovanucci, Daniele

2003 *The State of Sustainable Coffee: A Study of Twelve Major Markets*. New York: International Coffee Organization/International Institute for Sustainable Development/United Nations Conference on Trade and Development/World Bank.

Global Exchange

2001 *Squeezing Coffee Farmers to the Last Drop*. San Francisco.

Gowan, Peter

1999 *The Global Gamble: Washington's Faustian Bid for World Dominance*. London: Verso.

Helleiner, Eric

1994 *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. Ithaca: Cornell University Press.

Hudson, Ian and Mark Hudson

2003 "Removing the veil? Commodity fetishism, fair trade, and the environment." *Organization & Environment* 16: 413–430.

Hunt, Diana

1989 *Economic Theories of Development: An Analysis of Competing Paradigms*. Savage, MD: Barnes & Noble Books.

IFAT (International Federation for Alternative Trade)

2001 "What is IFAT?" February 17. <http://www.ifat.org>.

Jaffee, Daniel, Jack R. Kloppenburg Jr., and Mario B. Monroy

2004 "Bringing the 'moral charge' home: fair trade within the North and within the South." *Rural Sociology* 69: 169–196.

Lappé, Frances Moore and Anna Lappé

2002 *Hope's Edge: The Next Diet for a Small Planet*. New York: Jeremy P. Tarcher/Putnam.

LeClair, Mark S.

2002 "Fighting the tide: alternative trade organizations in the era of global free trade." *World Development* 30: 949–958.

Littrell, Mary Ann and Marsha Ann Dickson

1999 *Social Responsibility in the Global Market: Fair Trade of Cultural Products*. London: Sage.

McNally, David

2002 *Another World Is Possible: Globalization and Anti-Capitalism*. Winnipeg: Arbeiter Ring Publishing.

Marx, Karl

1978 "Capital, Volume One," pp. 294–438 in R. C. Tucker (ed.), *The Marx-Engels Reader*. New York: W. W. Norton.

Oxfam International

2002a *Mugged: Poverty in Your Coffee Cup*. London.

2002b *Rigged Rules and Double Standards: Trade, Globalization, and the Fight against Poverty (Oxfam Trade Report)*. London.

- Page, Sheila and Rachel Slater  
2003 "Small producers' participation in global food systems: policy opportunities and constraints." *Development Policy Review* 21: 641–654.
- Pendergrast, Mark  
1999 *Uncommon Grounds: The History of Coffee and How It Transformed Our World*. New York: Basic Books.
- Petras, James  
1997 "Imperialism and NGOs in Latin America." *Monthly Review* 49 (7): 10–27.
- Prebisch, Raúl  
1950 *The Economic Development of Latin America and Its Principal Problems*. New York: United Nations.  
1980 "The dynamics of peripheral capitalism," pp. 19–26 in Louis Lefebvre and Liisa I. North (eds.), *Democracy and Development in Latin America*. Toronto: Center for Research on Latin America and the Caribbean-Latin American Research Unit.
- Raynolds, Laura T.  
2002a "Consumer/producer links in fair trade coffee networks." *Sociologia Ruralis* 42: 404–424.  
2002b *Poverty Alleviation through Participation in Fair Trade Coffee Networks: Existing Research and Critical Issues*. New York: Fair Trade Research Group/Colorado State University/Ford Foundation.
- Renard, Marie-Christine  
1999 "The interstices of globalization: the example of fair coffee." *Sociologia Ruralis* 39: 484–500.  
2005 "Quality certification, regulation, and power in fair trade." *Journal of Rural Studies* 21: 419–431.
- Rogers, Tim  
2004 "Small coffee brewers try to redefine fair trade." *Christian Science Monitor*, April 13.
- Ross, John  
2002 "In the midst of a lacerating coffee crisis, Starbucks, the world's largest over-the-counter drug dealer, comes to Mexico." *México Bárbaro*, no. 340.
- Sick, Deborah  
1999 *Farmers of the Golden Bean: Costa Rican Households and the Global Coffee Economy*. DeKalb: Northern Illinois University Press.
- Simpson, Charles R. and Anita Rapone  
2000 "Community development from the ground up: social-justice coffee." *Human Ecology Review* 7 (1): 46–57.
- Stiglitz, Joseph  
2003 "Whither reform? Towards a new agenda for Latin America." *CEPAL Review* 80 (August): 7–37.
- Talbot, John M.  
2004 *Grounds for Agreement: The Political Economy of the Coffee Commodity Chain*. Oxford: Rowman & Littlefield.
- Taylor, Peter  
2002 *Poverty Alleviation through Participation in Fair Trade Coffee Networks: Synthesis of Case Study Research Question Findings*. New York: Fair Trade Research Group/Colorado State University/Ford Foundation.
- UNCTAD (United Nations Conference on Trade and Development)  
2004 *UNCTAD Handbook of Statistics On-Line*. New York.

VanderHoff Boersma, Francisco

2001 "Economía y reino de Dios: Neoliberalismo y dignidad opuestos que viven juntos." *Christus*, no. 723.

2002 *Poverty Alleviation through Participation in Fair Trade Coffee Networks: The Case of UCIRI, Oaxaca, Mexico*. New York: Fair Trade Research Group/Colorado State University/Ford Foundation.

Vilas, Carlos M.

1997 "Participation, inequality, and the whereabouts of democracy," pp. 3–42 in D. A. Chalmers, C. M. Vilas, K. Hite, S. B. Martin, K. Piester, and M. Segarra (eds.), *The New Politics of Inequality in Latin America: Rethinking Participation and Representation*. New York: Oxford University Press.

Wallerstein, Immanuel

1974 "The rise and future demise of the world capitalist system: concepts for comparative analysis." *Comparative Studies and History* 15: 387–415.

Waridel, Laure

2002 *Coffee with Pleasure: Just Java and World Trade*. Montreal: Black Rose Books.

Weisbrot, Mark, Dean Baker, Egor Kraev, and Judy Chen

2001 *The Scorecard on Globalization 1980–2000: Twenty Years of Diminished Progress*. Washington, DC: Center for Economic and Policy Research.