

SUMMARY



**FAIR TRADE FACING NEW COMMERCIAL CHALLENGES:
EVOLUTION OF THE ACTORS' DYNAMICS**

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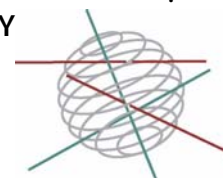


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Part 1:
Sustainable production and consumption patterns

SUMMARY



**FAIR TRADE FACING NEW COMMERCIAL CHALLENGES:
EVOLUTION OF THE ACTORS' DYNAMICS**

CP/10/481

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Introduction

Given the expansion in the markets for fair trade products, this project analyses the restructuring of this sector and its effects on the capacity for action among stakeholders in the South. The research focuses on case studies of sectors and products which have received relatively little attention up to now, notably cocoa, craft products and cotton, and hopes to provide insight into the diversity which exists in fair trade without aspiring to describe it exhaustively.

Using a sociological approach, the research concentrates on the following areas:

- Analysing the restructuring of the markets Noting the expansion of the sectors examined through the involvement of new trading partners, the emergence of new networks which sometimes compete with traditional NGO structures, and the growing complexity in sectors as a result of labelling and certification operations based on an initial definition of "rules", the research is intended to show the changes associated with market expansion, particularly in terms of scale (size of the market and of businesses involved), contractual forms (new demands) and the way in which those involved are organised.

- Analysis of the restructuring of fair trade 'referential'¹ As it is a sector which is specific in nature, fair trade is based on conventional definitions involving values which are then embodied in rules, organisational set-ups and even beliefs which the stakeholders must share (at least to a certain degree). In short, the fairness requirements of fair trade provide a normative and cognitive foundation which is necessary for the correct functioning of the sector. Is this foundation – the nature of these reference values – being threatened or called into question by the restructuring of the market, the emergence of new actors and the formalisation of relations through labelling and certification?

- Assessing the impacts in the South Having attempted to show the range of diversity in the approaches and dynamics at play in the South, we moved onto assessing how they are affected by transformations taking place in the North. Particular attention was devoted to empowerment of women.

1. Putting the rules to the market test

1.1. The emergence of fair trade based on a 'referential' arising from criticism of development

By taking fair trade as a market which is organised according to specific rules, the concept of 'referential' from political sociology enables us to determine the organising principles behind collective action in fair trade, notably the values, rules and causal relationships expressed by this collective action and the images it uses. The 'referential' should be seen as providing a framework enabling coordination among those involved, even where they do not necessarily or completely share the same view of fair trade. It is therefore a kind of compromise, or the result of a transaction between the partners, and is thus continually susceptible to different readings or interpretations.

In order to define the basic 'referential' for fair trade in terms of its historical development, we focused on the discourse of those actors which we termed as "founders" of fair trade. They

¹ The term 'referential' has been used among others by P. Muller (See: Muller, P. (1995) 'Les politiques publiques comme construction d'un rapport au monde', in Faure, Pollet et Warin, *La construction du sens dans les politiques publiques. Débat autour de la notion de référentiel*. Paris: L'Harmattan, Collection Logiques Politiques, pp. 153-179 and Muller, P. (2000) 'Des politiques publiques: vers une sociologie politique de l'action publique', *Revue française des Sciences Politiques*, Vol 50 (2): 189-207).

emerged from the humanist-religious currents of the 40s and 50s, and those concerned with the third world in the 60s and 70s. For them, fair trade was born of the analysis of the inequalities in trade between countries in the North and those in the South and is part of a general questioning of the validity of development policies based solely on aid. Based on values rooted in solidarity, fair trade market exchanges are generally negotiated between organisations in the North and South as part of a socially committed approach, in which competition is not a predominant factor. These values are expressed through a certain number of normative principles and images which together make up the 'referential' for these actors, as shown in table 1.

Table 1: Description of the 'referential' of solidarity

Values	North-South trade "Trade not aid".
	Solidarity and fairness/autonomy
Normative principles	Working with poor and marginalised producers
	Forging links between small-scale producers through an organisation
	Improving living and working conditions
	A fair price and a premium
	Pre-financing
	Long-term commitment
	Direct relationships with producers
	Integrated, or even organic, farming
	Lobbying
Images	The role of intermediaries in trade inequalities
	Capitalism as a cause of dysfunction in trade
	The cooperative as an ideal organisational set-up
	Working with small-scale producers

1.2. New market dynamics and the rules crisis

Our analysis focuses on a new stage in the development of fair trade, and a questioning of its current nature. It is marked by the emergence of new actors, new circuits and even by modifications in the ranges of products offered to consumers.

In terms of the products, apart from competition from ethical products, three processes are also developing in fair trade: one involving differentiation in products according to a qualitative hierarchy (product range phenomenon). This process implies competition between products and between distribution channels. This competition encourages the association of the criterion of fairness with other criteria (such as organic or sustainable considerations) which allow increases in product quality to be made and allow consumers to differentiate between them. However, at the same time, they increase the competitive nature of the fair trade market. At the same time, diversification in distribution channels also creates uncertainty about the possible use of biotechnologies, the required percentage of "fairness" in a composite product, such as a yoghurt, or how fair the whole production chain for a processed product like a t-shirt is.

The actors involved can be divided into:

- Major trading companies with different strategies: those which market fair trade products with a label recognised by the founding actors in the fair trade sector (for example, Delhaize, Colruyt); those who identify more with ethical or responsible trade, based on solidarity, etc. who are developing their own labels (or brands) in line with particular specifications which they have developed (Utzkapeh); those involved in social or charity marketing, where the sale of products is linked to a development project in the South (Collibri at Colruyt, World Cocoa Foundation at Callebaut).

- Fair trade actors: some have stayed true to their initial solidarity reference values and have continued the political struggle (volunteers from Magasins du Monde Oxfam); others were to become more involved in trade, whilst maintaining an interest in politics and social change (Magasins du Monde Oxfam, Oxfam Wereld Winkels, Max Havelaar); others still do not see themselves as involved in politics but more geared towards solidarity – such as Delhaize and Citizen Dream – or charity, such as Colruyt.
- Consumers: The different consumer groups interviewed as part of the research showed that consumers from the first generation networks tended to espouse a political approach based on a critical view of the market, and a charitable approach. New consumers (outside the Oxfam Magasins du Monde circuit) either tend to have a similar charitable approach, though many of them feel attracted by the quality of the products firstly, or a market approach which applies values of social fairness and business sector responsibility and conforms to ethical trading rules. They are often less informed and less concerned about information on the actual production conditions in the South. Fair trade is beginning to expand towards the East, to present itself in terms of its economic position in the countries concerned (rather than in terms of categories like small-scale producers) and to question North-South relations, particularly on business relocations. Lastly, this expansion to take in new consumers also corresponds to a shift in quality criteria, in which commercial aspects (taste, aesthetics, etc.) are becoming increasingly important.

The diversification in distribution channels, in conjunction with that of product ranges, the uncertainty regarding certain products, the trend towards having different quality ranges and the emergence of new labels, or the attraction of organic labels, are all factors which show that markets are expanding. At the same time, they are also indicators of the fact that fair trade is making the shift from a series of contractual, segmented markets to a new kind of set-up with competing markets and a range of quality markings. In these new channels, there is a two-fold problem in trade terms. On the one hand, there is a need to distinguish fair trade products from others on the shelf so that consumers can identify them. This has led to the use of fair trade brands like Oxfam Fair Trade or the Max Havelaar label. On the other, it is about selling quality products in the usual kind of conditions in this distribution set-up (lean production, quality standardisation, etc.) and therefore the implementation of production rules. However, the current situation in the fair trade sector is marked by the launch of a whole series of labels intended to guarantee the ethical nature of products for consumers. These new labels have all been designed by industrial producers or large-scale distributors and the certification they offer ranges from a simple guarantee that a part of the price paid by the consumer will go to an NGO (Collibri) to a more complete set of specifications, which are, however, less stringent than those of the fair trade movement. These labels use criteria which challenge the basic fair trade rules, namely: paying a price which covers production costs and a further margin which goes to the producer (generally, this varies according to the market rate and is not guaranteed), and the organisation and autonomy of producers through setting up groups.

The developments mentioned above correspond in many ways to what we have termed as the surpassing of the framework defined by the fair trade 'referential'. The way the framework is surpassed can take different forms: on the one hand, certain products and distribution channels lie outside the normative framework, and, on the other, some actors are developing competing labels which are less demanding. Lastly, overlap with other labels adds to the confusion. We can see clearly that in the strategies implemented by the actors and the ongoing restructuring there is a tendency to specify the nature of the rules more carefully. This is a shift away from the normative principles which influence negotiation towards a precise specification of verifiable standards needed for obtaining a label. There is also another tendency towards fragmentation or the watering down of fair trade into a very restrictive ethical standard.

1.3. Effects and risks

- Effect 1: Modification in the values and beliefs which underpin action

Faced with the changes which we have just described, fair trade actors were to develop different approaches. Some, like Citizen Dream favour a more commercial approach, and attach less importance to concepts of a fair trade movement or to political lobbying. The solidarity aspect in terms of inequalities in trade both in the North and the South does feature in their approach, but trade is seen as a way of enabling producers to integrate into commercial markets in the long-term, since fair trade, as a niche market, will never be able to cope with the total supply available. Moreover, the very concept of development has a different meaning for some actors, which see support intended to enable small-scale producers to survive or gain access to the market as more important than the concept of autonomy. Political lobbying is no longer geared solely towards international trade rules, nor is it predominantly focused on politicians but on the companies holding economic power. It tends to play more of a critical role, speaking out, along with trade unions, against unfair practices and those which do not respect the minimum standards set by the International Labour Organization (ILO). Lastly, the flagship companies of globalised capitalism are no longer *persona non grata* in the fair trade sector, something which runs counter to the image (associated with the 'referential' of solidarity) of capitalism as the root cause of North/South inequalities.

- Effect 2: Professionalisation adapted to the market

The need to adapt professional work to market demands implies significant changes not just in marketing, but also in organisation (particularly Oxfam Magasins du Monde: revisions of accounting systems, centralisation of shop management). The new distributors focus on placing their products on the market and especially on careful study of the competition, sales monitoring, displaying the products in shops, colour codes and even the location of the shops themselves.

- Effect 3: Greater complexity and specialisation in networks and stakeholders

The expansion of markets and their increasingly competitive nature (not just between fair trade and conventional trade, but also between different sectors of fair trade or its forerunners) are leading to greater complexity in trading circuits and more specialisation among those involved. This tendency can only lead to greater distance between the actors and less clarity in the substance and rules of fairness. This greater distance also tends in itself to lead to greater demand for more specific labelling standards.

- Effect 4: More specific standards: Can fair trade labelling be seen as an opportunity for change or for a shift away from the 'referential' of solidarity?

Given the possibility of consumer confusion, fair trade actors are tending to seek stricter specific standards which enable the distinction to be drawn between fair trade and ethical trade. Initiatives have been developed in France (the law of the 2nd August 2005) and are being considered in Belgium and at European level. At the same time as this demand for stricter standards, Max Havelaar seems to be willing to open up all the points which are not part of the core of the original solidarity reference values for negotiation with its clients in order to adapt to their demands. This is particularly true of environmental conditions or processing methods.

- Risk 1: Specific standards tend to reduce the personalised nature of the relationships between producers and consumers

Compared to specialised shops where explanatory leaflets and photos contribute to direct consumer/producer links, other distribution channels can only provide information on relationships with producers through the label and packaging, and only very rarely through the shop display. The amount of information about producers, although always there, is reduced in order to give a higher profile to the quality and monitoring discourse.

▪ **Risk 2: Consumer trust as the basis for fair trade**

For consumers, rather than being based on rules and monitoring processes which are poorly understood and appear to bear similarities to a certain number of ethical rules, fair trade is based more on trust in the way that fair trade organisations work and on their way of constructing “personal” relationships with producers. In this context, loss of trust in one actor could have a negative effect on all the others in the fair trade sector.

One of the major effects of these qualitative changes can be seen in the ways that the framework for the rules regulating fair trade is being surpassed. This framework is no longer stable, which means that some actors fear that fair trade is being undermined and also leads to demands for more specific criteria to regulate fair trade – i.e. the conversion of normative negotiating principles into technical, verifiable requirements which need to be met in order to obtain a label. Northern markets are restructuring along these lines. However, these structural changes in access to fair trade are bound to have an impact on actors in the South.

2. Specificity and diversity in fair trade dynamics in the South

The second stage in our research focused on attempting to understand how different fair trade networks are organised in the South. The purpose of this is to understand what is important to actors in the South. Our case studies are based on analysis of the discourse and practices of organisations which are part of the fair trade networks in India, Cameroon, Bolivia and Peru.² They reveal that Southern actors not only have their own interpretations of the reference values but also have their own development dynamics and approaches.

2.1. Fair trade is not just about economic development

Our findings show a range of different approaches to action, largely based on a development needs analysis which goes beyond purely economic considerations. Within the different organisations studied we found training structures for social and cultural purposes, and also other development strategies geared towards objectives which fair trade provides a way of achieving: access to water, healthcare and education activities, crop diversification to increase autonomy among producers, empowerment of women. So, our case study in Bolivia shows that earning money for women, apart from being a financial advantage (and providing a way of meeting the basic needs of their families), also changes the way in which they are perceived by their families and society. They gain greater recognition as individuals and fully-fledged economic actors. Being able to bring in money alters the power balance in the family, too, and gives women more bargaining power when negotiating with their spouses. Women's involvement in fair trade organisations, and more specifically in women's organisations, also provides opportunities for training which allow women to develop the ability to speak in public and make clear their opinions and reasoning as a group. Thus the group becomes a space for experimentation and personal development, in which women can gain self-confidence and, as a result, more dignity. Economic organisation becomes a springboard for some women who, encouraged by the group, then get involved in other more demanding social and/or political activities (which were previously off-limits for women) within their communities or even further afield.

² For India we are working mainly on the basis of information gathered from AGROCEL, Shrujan and Kutch Mahila Vikas Sangathan (KMVS) – three organisations from the Kachchh region in the state of Gujarat. For cocoa, we worked with Macefcoop in Cameroon and with El Ceibo in Bolivia. For the craft sector, in Peru and Bolivia we worked in rural and urban areas (in the regions of La Paz and Sucre-Potosi in Bolivia and in Lima, Ayacucho, Puno and Cuzco in Peru) with organisations from different levels: both grassroots and coordinating organisations (in Bolivia: Qhantati, ComArt, El Molino, Inkapaya and the NGO Azur; and in Peru: the *Central Interregional de Artesanos del Perú* (CIAP), MINKA and Ayniart).

This diversity in development practices is part of the development philosophies and cultural conceptions which are specific to the different contexts in the South. This means that, in India AGROCEL draws inspiration from Gandhi's philosophy promoting independence from colonising countries and, by analogy, from other countries, too. In this approach, the "revolution" inspired by Gandhi in the 50s to foster food self-sufficiency is reflected in village autonomy, particularly in plant health products, but also in the concept of trusteeship (promoting trust as a form of commercial and industrial relationship in which production is determined by needs and not by the desire to get rich) and the importance of education. The fair trade objectives of: developing autonomy in farmers and capacity strengthening through education are therefore fully integrated into AGROCEL's Gandhian culture.

2.2. A different conception of the normative principles based on the 'referential' of solidarity

The range of approaches in the South and the different political, cultural and social bases of each organisation mean that a different interpretation of several of the normative principles which are based on the 'referential' of solidarity is necessary. There is no single model for producer organisations, nor for the concept of a fair price, nor for the way of managing the premium, rather a series of models which exist together on the basis of these principles. An important point to note is that this series of local models exists as a result of the negotiating margins which the system of reference values permits in the relationships between actors in the North and those in the South:

- Taking into account the most marginalised producers:

Initially at the core of the 'referential' of solidarity, this very significant feature in the Andes region was rooted in liberation theology, in which working with the most disadvantaged in society is one of the basic principles. Currently, providing support to marginalised producers continues to be a significant factor in a number of different organisations we contacted in Peru and Bolivia. They set up different levels of groups (thus preventing excessive demands on producers, which might have excluded the most marginalised, and ensuring the inclusion of groups facing difficulties in terms of quality, deadlines, packaging), an order management system which helps the most disadvantaged, and work with all women in remote, very poor communities. The dignity of the poorest members of the population is another key value in the liberation theory found in the Andean region. Here the focus is on showing that, through fair trade, the poor can speak on an equal footing with important members of society and can be competitive.

- The existence of an organisation representing small-scale producers:

Some social organisations, in Bolivia for example, attach a great deal of importance to grassroots organisations being actors in the fight against exclusion. ComArt, Inkapaya and El Ceibo in Bolivia or the CIAP in Peru use a management system which is run directly by male and female producers, with rotating responsibility according to the traditional Andean way of doing things. Some organisations have a broader definition of community, like Azur, El Molino, and Muñeca in Bolivia, which try to involve as many members of the community as possible: all of them can, if they wish, take advantage of the development programmes they offer. Other organisations like ComArt and Inkapaya in Bolivia, the CIAP and MINKA in Peru see setting up a socially oriented association of some sort as the key criteria for joining because they think that working with structured groups of people rather than individuals is a decisive factor for change. Others still have a restrictive interpretation of the concepts. This is the case in India of organisations which exist legally as trusts and are run by trustees and not by the producers themselves (Shrujan, for example), or private companies like AGROCEL or Maikaal Rajkakshmi Ltd.

- Improvements in living and working conditions:

Improving the living and working conditions among community members is one of the core normative principles in fair trade, which is interpreted differently depending on the context of each situation. It is important in this case to distinguish clearly between survival situations, such as that of the Kachchh in India where access to water is an essential condition for making any economic and social improvements, and other situations in which population groups are less marginalised. As we have seen, fair trade organisations set up a range of programmes intended to improve people's living conditions through a process of empowerment.

- A fair price:

The concept of the fair price, although an essential normative principle in fair trade, is acknowledged as important but is a subject which is widely debated in Southern organisations (especially amongst the coordinators and managers of organisations). Some organisations in Bolivia and Peru prefer not to use this term and refer to a maximum, reasonable price. In India, for AGROCEL, paying a fair price also means encouraging crop rotation by paying the 8% supplement for rotated crops, unlike other organisations which only pay for cotton and so can therefore offer a higher price (sometimes 20%). During interviews in Bolivia and Peru several organisations also pointed out that the concept of a "fair price" enabled producers to understand the value of their product. The "fair price" allowed them to understand that the price calculation for a product is linked to the cost of raw materials, production costs and includes a wage which remunerates someone for work carried out – a wage which corresponds to the standard of living of the community in question.

- Premium management:

Since the premium is only a normative principle for foodstuffs, here we are referring to cocoa producing organisations in Bolivia and Cameroon, but also to the Indian fair trade cotton sector, all of which offer different perspectives. The premium can be invested in a social fund as happens in El Ceibo in Bolivia where the priorities and criteria for access to the fund are determined and then voted on in a general assembly, or it can be managed by an independent body, like Macefcoop in Cameroon, where the "premium committee" assesses the feasibility of development projects which are submitted for evaluation by the different sections and regions and then proposes them to the General Assembly. It does not exist in AGROCEL in India which, because of a margin of 7%, cannot afford to pay a "fair" price of 8% above market price, plus a premium.

- Integrated, or even organic, farming:

The decision to farm organically in the South emerged in the organisations studied (AGROCEL in India and El Ceibo in Bolivia) not just as an economic choice but as one based on strong cultural values - the *pachamama* or mother Earth in Bolivia and Gandhism in India.

- Structural change in policies through lobbying:

The demand for structural changes in policies carried out through lobbying only emerged in our studies in Bolivia and Peru. It should be noted that, although these demands exist in these two countries, they are not shared by all fair trade organisations – there is a considerable variety of approaches. Some organisations integrate political struggle into their activities. These struggles can range from defending the sector, for example setting up a social security system for craft workers to more general campaigns regarding national and/or regional political issues, such as combating the Free Trade Area of the Americas.

We feel that such diversity in the ways that fair trade functions is possible because of two normative principles. On the one hand, there is the key position which negotiation holds as a basis

for relationships, and, on the other, there is the bond of long-term commitment between organisations in the North and in the South. Indeed, these two principles together enable those involved to begin to learn about the way of life and behaviour of their partners, whilst improving their commercial relationship at the same time.

3. The ongoing changes are transforming the fair trade network in the South

Given the limited opportunities for sales in the fair trade sector, the Southern producer organisations have developed several strategies. Of these, developing local markets and gaining additional forms of certification for export products seem to be the major two. In this context, the expansion of the markets in the North, which was analysed in the first chapter, means that the requirements of the conventional market are gaining in influence. We will analyse the effects of this process on the South.

3.1. The search for new markets is leading fair trade organisations to diversify their commercial strategies

Some organisations are diversifying their commercial strategy, particularly through developing their local markets and gearing their operations towards other quality export markets. In local markets this may mean sales outside the guaranteed fair trade system, for which craftspeople nevertheless try to maintain "a fair price", as in Bolivia in the crafts and cocoa sectors, or the development of a local fair trade market aimed at the middle classes and tourists. In the export sector, some craft producer organisations have opted to focus their efforts on top of the range goods, using high quality raw materials and/or excellent workmanship and/or uniqueness of the objects produced as strategies. Organic agriculture also offers the possibility of another market. Access to these new markets requires changes in the social and technical mechanisms which the network is based on. This modification is all the easier because of some of the organisational principles in the fair trade sector (premiums, integrated crop management, traceability).

3.2. Taking conventional market requirements into account

The need to respond to the requirements of the conventional market in terms of product quality and conditions of sale has generated a certain amount of tension between organisations and/or producers in the South and those placing orders from the North:

- Organoleptic qualities: because of the difficulty of processing a product like cocoa so that it corresponds to the tastes of Northern consumers (these vary from country to country)
- Aesthetic requirements: taking into account the aesthetic tastes of consumers (which are linked to fashions) is also changing the social and technical mechanisms in the craft sector, where fair trade organisations have to use certain mechanisms to make them acceptable to craftspeople. They introduce intermediaries which help in making adjustments to changes in tastes, like finer needles, paler colours or using designers.
- Traceability: the fair trade system does not always allow traceability back up to the producers themselves, but back to producer organisations. This can present a problem for some distributors in the conventional market, particularly because of the European Union's insistence on total traceability for foodstuffs.
- Social requirements: on entering the conventional market, fair trade organisations in the North are sometimes forced to give up a certain kind of relationship with their partners in the South, where compliance with social norms is negotiated and built up over time, in favour of a more rigid, managerial one. This can lead to greater pressure on Southern organisations in terms of compliance deadlines, which do not necessarily fit in with their culture or with the expansion of the market in the South, if processing is taking place

- there. Negotiating with intermediary trading actors is difficult when a producer lacks the required commercial weight, as is the case of AGROCEL.
- Production deadlines: these generally depend on needs in the North and may clash with the natural rhythms and other activities of Southern producers (agricultural work, lack of raw materials).
 - Standardisation: product standardisation requirements can present cultural problems. For example, in India standardising patterns brings bad luck in some ethnic groups and the women producing the cloth always find a way of including a tiny difference in order to get round this requirement.
 - Quantitative requirements: changes in scale resulting from joining conventional distribution chains are sometimes difficult to cope with because of the integration of new actors into the network and coordination difficulties.

The required modifications in the network (expansion, integration of new intermediaries - such as new production tools or designers) create the conditions for adaptation to take place and also generate structural modifications (separation of sales and marketing from production activities) and network integration problems. They are also an excluding factor for those who do not have the cognitive and/or financial capacities to deal with them. This risk of excluding the most marginalised is also one of the impacts caused as a result of those in favour of more specific labelling criteria in the fair trade sector taking into account market requirements.

3.3. Effect of taking into account conventional market requirements on fair trade normative principles

Setting up pertinent specifications for some fair trade products and attempting to guarantee the "fair" nature of the products bought by consumers in conventional distribution channels raises the issue of the definitions used in the specifications and the problems caused by their application in the South. In particular, the normative principle of working with the most disadvantaged is called into question by both actors in the conventional market and those in fair trade, since the poorest, most marginalised sectors of the population cannot meet the standards of international markets, either in terms of quality and production or in terms of complying with trade requirements.

This process of exclusion may also be a result of stricter requirements for access to the fair trade market. Producer organisations need to have gained a certain amount of knowledge and have a sound enough financial base to control the expansion of the processing network, whilst bearing the additional costs arising from network modification, especially costs associated with the different certifications.

Moreover, the principle of the direct, long-term relationship between the North and the South is increasingly difficult to implement because of the expansion of networks, the pace of marketing, quality requirements and trends in fair trade labelling. Lastly, requirements behind other principles, such as the existence of a producer organisation or the narrowing of the gap between fair trade and organic farming are often toned down. We feel that there are two major aspects to this development: the differing positions of actors in favour of more specific labelling criteria on the one hand (for example, IFAT does not mention the issue of producer organisations, while FLO does), and commercial constraints which influence the actions of labelling bodies, on the other.

Lastly, the shift to North/South relationships governed by these rules, and the specifications and controls which comes with it, is extremely restrictive for Southern organisations and heightens the tension between cultures and practices in the North and South which had previously been managed by fair trade organisations through negotiation and long-term commitment. The issue which arises is about maintaining a balance in trade which favours the South in an increasingly

extended network where the new actors are not all integrated and about the impact of converting normative principles into verifiable criteria. How much room for manoeuvre should there be in setting up these criteria in the South? Which criteria are not negotiable – i.e. which ones represent the "pillars" of fair trade and prevent it from merging into ethical trade?

General conclusion

In our view, a new system of 'referential' is emerging which we have decided to term a "market" 'referential'. It can be compared to the 'referential' of solidarity (see table 2). Fair trade products and their quality play the major role in this new system, while North/South relations are now governed by stricter criteria and political activity is dying out. What we are witnessing is the shift from an approach focused on the quality of the relationship with Southern producers to one focused on product quality which allows producers to integrate into the conventional market.

Table 2: Comparison of solidarity referential and market referential

	Solidarity 'referential'	Market 'referential'
Values	North-South trade "Trade not aid". Trade is just one of a number of development strategies	Trade is development
	Solidarity and fairness	Equity
	Autonomy seen as a project	Autonomy seen as the ability to integrate into the conventional market
Normative principles	Social: poor small producers organisations	Poor regional producers in the South who are not necessarily organised
	Improving living and working conditions	Complying with ILO rules
	A fair price and premium	Price supplement in a competitive market
	Pre-financing	Not always carried out
	Long-term commitment	Contract
	Direct relationships with producers	Relationships based on specific criteria and controlled by third parties
	Integrated, or even organic, farming	Integrated farming
	Working with small-scale, marginalised producers	Possible to work with plantations and producers who are already well organised
	Lobbying	No political activity
Images	Intermediaries seen as a factor in trade inequalities	Intermediaries have an organising role
	Capitalism seen as something to be combated	Regulated fair trade market
	Cooperative	

On whether there are distinct normative principles – "pillars" which support the fair trade sector – we would argue very strongly in favour of ensuring that these normative principles, which are, firstly, long-term commitment to non-commercial development projects as defined by the communities themselves and, secondly, maintaining the opportunity to negotiate the framework of the relationship, remain at the heart of the fair trade 'referential' and practices.