

Fair Trade Under Fire: How to Think about Fair Trade in Theory and Practice

I. Introduction

Efforts to promote fair trade are under fire – critics argue that there is no obligation to purchase Fair Trade certified products and, that doing so, may even be counter-productive. This paper replies to a few of these worries and offers a new approach to arguing about what makes trade fair. It understands arguments about fairness in trade to be quite wide ranging – to include everything from disputes about whether free trade is fair to whether fairness requires purchasing particular “Fair Trade certified” products. It is not concerned with justice simpliciter or fairness outside of trade relationships. In doing so, it addresses the questions: to what extent must ethical principles governing fairness in trade engage with the real world politics of trade? What should the relationship be between ethical trade theory and empirical research on international trade?

In “Fair Trade: What Does it Mean and Why Does it Matter?” David Miller considers three broad accounts of Fair Trade that, he suggests, might just focus on different (and potentially conflicting) aspects of fairness in trade (Miller, 2010).¹ On some accounts, what matters is *procedural fairness*. The rules of trade have to be fair for all and outcomes are irrelevant. Often these accounts assume that trading partners are self-interested and focus on equality of opportunity to benefit from trade. On other accounts, *producers are entitled to safeguards* against harms. Trade should not be allowed to violate rights or undermine welfare. Yet others focus on whether the *practice of trade* is fair; “exchanges must be conducted on terms that produce a particular division of resources or benefits between the trading partners” (Miller, 2010, 24).

Perhaps because I endorse Miller’s claim that we should be pluralists about what fairness requires, this paper criticizes attempts to provide relatively complete accounts of what makes trade fair. It suggests an approach to arguing about what fair trade requires that may help us make more moral progress in light of these potentially conflicting (sometimes empirical) requirements of fairness. That is, it suggests offering conditional arguments for, or against, principles governing fairness in trade. The approach may seem weak because, at best, conditional arguments can provide some criteria for good policies – they suggest that fair trade must, for instance, respect human rights or be free from oppression. But such arguments are strong as they can avoid the worry that different criteria for fairness in trade may be inconsistent. Moreover, the kind of arguments this paper supports need not provide only weak moral requirements. They might start from incredibly demanding moral requirements (either taking these requirements as given or arguing for the requirements in attempting to establish their conclusions more firmly). The kind of argument this paper recommends might assume, for instance, that trade must ensure equal opportunity for all. This approach can allow us to make some progress in the absence of a theory about how exactly to take into account all the things that matter.

To make this case, the paper will, first, consider two different attempts to provide relatively complete accounts of fair trade – Aaron James’ account in *Fairness in Practice: A Social Contract for the Global Economy* and Mathias Risse and Malgorzata Kurjanska’s account in “Fairness in Trade II: Export Subsidies and the Fair Trade Movement”. It will explain where each account goes wrong and suggest that the problems these accounts face stem, at least in part, from their approach – the fact that they purport to offer relatively complete accounts of fair trade. It will then give examples of some arguments for obligations of fairness in trade that do not fall prey to this kind of objection. It explains how these arguments are compatible with arguments from other perspectives as well.

In some ways, the arguments that follow bear more broadly on another debate about fair trade in the literature. Both of the accounts of fair trade this paper criticizes are practice-based accounts. That is, they

suppose that if we can give an account of the purpose of fair trade as a social practice, we can give an account of fair trade. This is opposed to a more holistic approach that considers whether trade's consequences, and procedures, are compatible with broader accounts of (say) global justice or what morality requires. In rejecting practice-based approaches, the paper suggests another dimension on which we should broaden our attempts to account for the fairness of trade in general (or particular trade policies). We should not assume that they are justified because they are part of any given practice. The claim that we should embrace the results of a practice requires justification. Though, one might give conditional arguments on the assumption that the practice is justified.

II. Practice-Based Attempts to Provide Relatively Complete Accounts of Fair Trade

Consider a practice-based account of fair trade embodied in James' work. James believes questions of fairness arise within a social relationship that "embeds market relations" in the practice of free trade that "allows and regulates economic interdependence" (James, 2009, 5). He provides a constructivist theory that starts from a conception of the purpose of trade and an account of fairness as structural equity to provide some policy guidance. Consider his account. James believes the distribution of gains from trade between countries must be equal.ⁱⁱ In part this is because the purpose of free trade is "for countries to mutually increase national income" (James, 2009, 5). As he puts it:

Egalitarian claims, concerned with relative gains or losses, are held by... countries. For such claims are essentially tied to the type of good the trade relation is intended to create, and the ultimate aim of international market reliance is for countries to mutually increase national income (via productivity-enhancing specialization) (James, 2009, 5).

James believes, however, that trade should not make people worse off than they would be under autarky. There should be social safety nets in place to protect those in desperate need. The gains from trade within countries should be fairly distributed (James, 2012). He also embraces the "domestic relative gains principle" which specifies that the gains from trade in each (trading) nation should generally be equally distributed between individuals (James, 2012, 18).

Much of James' book is devoted to addressing skeptics. He thinks unrestricted free trade will not be efficient even if people are not compensated for their losses. Moreover, given that trade is a social practice, he thinks the trading partners who jointly create the rules of trade must justify their collective exercise of coercive power. James thinks we cannot come up with justifiable principles of fairness without considering the current practice. Moreover, he points out that the concern for fairness underlying his approach unifies concern for fair wages, fair competition, and fair trade. Finally, he suggests we have reason to care about the risks free trade in capital poses to people and to rework some trade practices, e.g. the rules embodied in the World Trade Organization's Trade Related Intellectual Property Rights agreement, to better correspond with the principles for fairness in trade he defends.

It is not entirely clear, however, that James has properly characterized the practice of "fair trade." He offers a general interpretation of the practice that he thinks can explain different parts that may be in some tension with each other and principles justifying the practice. A better account may, however, just recognize that there are multiple practices or include different practices under a different banner.

Appealing to what international organizations governing trade – like the World Trade Organization (WTO) - say does not help. What these organizations say, even about a part of the practice (e.g. trade in services), varies from time to time. The rules are constantly evolving as member states reach new agreements (WTO, 2014). Moreover, the content of some agreements is disputed and the agreements may not even be consistent at a single point in time. This becomes evident when one attends to the legal text and discussions in international tribunals (Lui & Bilal 2009, Qureshi 2006).

Even if the practice is as James describes it, however, it may not be the case that the primary aim of free trade should just be to augment national incomes. If not, James' argument will not go through. Some reasons for skepticism that the primary aim of free trade should just be to augment national incomes stem from problems with this principle's grounding. The WTO clearly takes the principle of comparative advantage to imply that trade will yield absolute gains in national income arising from international specialization and exchange. However, comparative advantage may not generate substantial benefits or even any absolute gains at all (Hassoun, 2008; Hassoun, 2009). Free trade based on this principle may also be inequitable.

More generally, we might question James' understanding of the purpose of free trade if we believe we are obligated to pursue different objectives. Perhaps, for instance, the gains from trade should maximally benefit the least well off globally. Perhaps, if the gains from trade do not maximally benefit the least well off globally, those who can should try to alter, or work around, these rules by, e.g., buying Fair Trade certified goods (Hassoun, 2012b; Hassoun, 2009; Hassoun, 2008). James' account will not count as (even relatively) complete unless it rules out all principles like this that will (presumably) generate obligations that conflict with those his account supports.

James defends his Rawlsian constructivist methodology and attempts to make sure his appeal to a conception of the practice is justifiable in "Constructing Justice for Existing Practice: Rawls and the Status Quo" (James, 2005). He suggests that constructive interpretation has three stages. First, one identifies a practice in non-controversial terms. Second, one offers a thicker moral characterization of its purpose or aim. Finally, one explains what is necessary to justify the practice.

However, at crucial points, James' argument appears to me to elide the distinction between the correctness of a description of a practice (in sociological terms) and the (moral) correctness of its application. It may be the case that he has explained what would justify the practice of fair trade as he understands it *if it must be in place*. That does not establish that we should do what would justify his understanding of the practice of fair trade even if it is accurate. Nor does it show that he has the right conception of fairness in trade tout court. Consider an analogy: It may be the case that the best understanding of a practice is as a dictatorship and a good dictator should rule through fear. This in no way justifies having a dictatorship even if it is led by a good dictator (never mind ensuring that the dictator rules through fear). James allows for this possibility when he says that, in the end, his approach may fail to find a justifiable version of the practice of fair trade (or there may be external reasons against implementing it). However, the point here is that his reconstructive methodology does not provide any reason to embrace the practice at least unless we make it conditional on either of these possibilities failing to obtain.

In their work, Kurjanska and Risse argue for a different account of what one kind of fair trade requires. On Kurjanska and Risse's account, fairness is a matter of justice that is concerned with what people are due. Kurjanska and Risse explain that charity cannot be a requirement of justice or fairness because no one is owed charity. Furthermore, they believe fairness requires satisfying individuals' claims appropriately and we need to know how to do that to know what fairness requires. Kurjanska and Risse accept a deontological account of how to appropriately satisfy competing claims.ⁱⁱⁱ On this account, everyone has a claim to their entitlements, deserts, and satisfaction of their needs. Kurjanska and Risse believe that we should "satisfy claims within each category proportionately" (Kurjanska and Risse, 2008).

Kurjanska and Risse worry that Fair Trade purchases are not generally justified because they are not part of the best development strategy (Kurjanska and Risse, 2008, 25). In oppressive regimes, for instance, we may better help poor people by working to end oppression. Alternately, Fair Trade may not be the best development strategy if it induces poor people to specialize in producing goods that they would not

produce if they were doing what was in their long term best interests. They point out, for instance, that Costa Rica's successful development depending on moving away from producing goods traditionally associated with Fair Trade. They say that:

In Costa Rica a focus on new exports and eco-tourism allowed for diversification away from coffee and bananas. The export share of non-traditional products rose from 38.6% in 1982 to 87% in 2003. Consumers who would have supported Fair Trade with regard to coffee and bananas in Costa Rica would have resisted a shift that *in the long run* turned out for the better. (One may even argue that providing opportunities for farmers to transition out of farming improved the lot of those who entered a new more profitable and less volatile sector. Moreover, by decreasing production of bananas, it increased returns for those who retained their business. It can be asserted that by providing aid and higher than market price returns to those who can obtain its label, it simultaneously provides incentives for others to continue in or even enter an unprofitable market with hopes to gain access to the limited Fair Trade market) (Kurjanska and Risse, 2008, 28-29).

In some conditions, Kurjanska and Risse think Fair Trade is permissible. Fair Trade we may lack a better way of helping a country – it may be impossible, for instance, for a country's workers to refocus production in better ways. Alternately, Fair Trade might address injustices that undermine poor producers' prospects. Still, Kurjanska and Risse believe Fair Trade cannot generally be justified.^{iv}

We need not inquire into the prospects for Fair Trade to promote development (though I do so elsewhere), to conclude that Kurjanska and Risse's account of what constitutes a fair practice is no better justified than James'. They do not argue, at any length, that Fair Trade should promote countries' development. They just claim that one would arrive at this result on a roughly Rawlsian account of fairness (Kurjanska & Risse 2008). Perhaps the purpose of Fair Trade should not be to promote development. Perhaps, for instance, Fair Trade should promote poor individuals' welfare. If so, and if development is not a good means to that end, Fair Trade should not promote development.^v

More generally, if practice-based inquiry does not justify the assumed purpose of the practice, and the practice should be changed, practice-based accounts will not help us answer question like: "What kinds of trade are, all things considered, morally im/permissible or required?" Advocates of practice-based accounts must defend the moral significance of the current practice. One way of illustrating this general point is to suggest alternative ways the practice might be set up. James might not, for instance, be justified in giving a privileged role to states in trade agreements that specify the rules of trade; the rules might be restructured to show equal concern for all of those affected by trade in one of the ways suggested in the alternative accounts (e.g. trade relationships may have to be reciprocal in some sense or avoid discrimination) (Miller, 2010).^{vi} Some suggest practice-based conceptions fall prey to a "status quo" bias for this reason (James, 2012). Maintaining the current practice may even prevent us from establishing a better practice.

Practice-based theorists might appeal to Amartya Sen's work on global justice in trying to overcome this objection. Sen suggests we need not aim to achieve full justice – we may do better to just make some moral progress. In this case, even if some other way of setting up the rules of trade might be better, we might be justified in focusing on the current practice (Sen, 2006).

The problem with this proposal is that we may head down the wrong path and get stuck on a local optimum (where all changes appear to be changes for the worse). If we explored the possible space of policies more fully, we might do better. In this context, that means sticking with the current rules may not

be the best – or even a very good – option. We might do best to modify, or even completely alter, the current practice.

How can we avoid these kinds of problems in theorizing about what fair trade requires, in particular? One possibility is to constrain practice-based arguments by specifying that they hold only insofar as the purported practice is justified.^{vii} More generally, it seems we can give constrained, or conditional, arguments for many conclusions that would not follow without such constraints or conditionalization. This is the conditional approach this paper advocates and that the next section will consider.

III. An Alternative Approach

So, what can we say about different kinds of trade on the conditional approach? On the conditional approach, the idea is to argue for more modest conclusions like “Trade is permissible *if* it does not violate rights and it is impermissible *if* it does violate rights,” or “Trade is required *if* it promotes individual welfare.” This approach has the advantage of letting its proponents adopt (or argue for) different principles for fairness in trade in different circumstances. If the authors do not defend these principles, they are conditional on the principles proving defensible. Practice-based approaches might for instance, tell us only that trade is im/permissible or required *if* the purpose of trade is as specified.

How interesting and important conditional arguments will be depends, in part, on what conditions they include. If the conditions are satisfied in the actual world, they can be very important. Even if the conditions are not satisfied, the derivation of the conclusion from the conditions and other premises may be novel and insightful. In some cases, such arguments are also important. They may tell us what to do in the long term given how conditions are likely to evolve (or how we can change the conditions). Giving (or accepting) arguments that start from actual conditions does not require denying that much more fundamental change is necessary. Such arguments may just tell us what we should do to make things better from where we are. And I believe that it is in this sense that we should strive for a realistic utopia.

Consider a few examples of conditional arguments that consider whether trade fulfills different moral requirements. In a series of papers on free trade, for instance, I suggest that insofar as free trade makes it more difficult for people to meet their basic needs, or destroys the natural environment, we have one reason to object to it. Free trade is likely to have mixed impacts on the things that matter, so, we should try to capture the benefits of free trade for the poor and the environment while avoiding the costs (Hassoun, 2012; Hassoun, 2009; Hassoun, 2012b). Of course, if it is not the case that we should care about trade’s impact on the poor or the environment, these arguments will not go through. There can be counter-veiling considerations. But *if the assumption holds and there are no counter-veiling considerations*, we have reason to restructure, or work around, some of the rules of trade to capture free trade’s benefits and avoid its costs for the poor and the natural environment (Hassoun, 2012; Hassoun, 2009; Hassoun, 2012b).^{viii}

It is also possible to argue against particular trade agreements based on these kinds of concerns. Suppose, for instance, that trade should not make it more difficult, or impossible, for people to meet their basic needs. One may (say) people have a right against severe poverty. Moreover, this right may give rise to demanding obligations on the part of states and, when states fail, international organizations. Even some seemingly permissible policies that make trade conditional on many economic reforms may be impermissible. Traditional economic conditionality on loans (a kind of trade in money) or conditions set on a country’s ability to trade may be impermissible. Consider the case of Bolivia which was required to privatize its water supply as a condition of receiving a loan from the International Monetary Fund (IMF). When the water supply was privatized, many people were not able to afford clean water (Hassoun, 2012b). Of course, if people had not already been so poor, or subsidies were introduced, the privatization may have been acceptable. Moreover, the conditions may have been necessary for Bolivia to repay the

loan and improve its economic status. The privatization may even have helped more people than it hurt. But if the conception of rights at issue requires international organizations like the IMF to do more for people than they are currently doing, the conditionality may be objectionable.

Although conditional arguments may seem weak because they only provide some criteria for good policies, they are strong because they can avoid the problem of inconsistency that Miller raises for endorsing a plurality of principles governing trade – namely, that they may give inconsistent recommendations. He gives an example where the (he assumes) procedurally fair requirements of the World Trade Organization (WTO) to liberalize trade in bananas conflict with protecting poor banana farmers in a way that might be required on an account of what division of resources between trading partners is necessary to make trade fair (Miller, 2010). It is quite plausible, however, that we should both protect poor farmers and liberalize trade which will reduce the amount of banana farming in the Caribbean. We can give conditional arguments for each conclusion that do not conflict. (Though, the challenge of finding some way of fulfilling both of these moral obligations remains.)

Consider one more example of a conditional argument about fairness in trade. One might believe everyone has a right to avoid severe poverty and hold that individuals should purchase Fair Trade certified goods because doing so will help fulfill this right.

There is a lot of evidence to the effect that Fair Trade programs benefit the poor (Raynolds, 2002; Bacon, 2005; Weber, 2011; Elder, 2012; Bacon, 2005; Wilson, 2010; Bassett, 2010). Fair Trade farmers benefit from better access to training, credit, and support programs (Murray et al., 2003; Bacon, 2005). Participating in Fair Trade cooperatives can help farmers develop their organizational capacities to create better markets for their goods (Raynolds, 2002; Bacon, 2005; Calo & Wise, 2005; Milford, 2004, 76; Ronchi, 2000; Bacon, 2005; Taylor, 2002; Imhof & Lee, 2007). Such co-operatives give farmers essential information and bargaining power and improve welfare by providing education and credit (Milford, 2004).^{ix} Fair Trade farmers are also less vulnerable to shocks (Wilson, 2010), and participating in Fair Trade networks can improve gender equality (Bassett, 2010).

Perhaps the most cited impact is that the poor benefit from higher prices for Fair Trade goods (McMahon, 2001). Fair Trade coffee growers frequently do better than farmers who do not participate in Fair Trade networks (Imhof & Lee, 2007). There is even evidence that Fair Trade farmers can do better than those who try to secure the Organic label (Calo and Wise, 2005; Milford, 2004; Ronchi, 2000; Bacon, 2005; Taylor, 2002; Imhof & Lee, 2007).

The higher prices Fair Trade provides often help the poor reduce their vulnerability to market crises and retain their lands (Bacon, 2005; Wilson, 2010). Some find that Fair Trade farmers are more likely to educate their children and that Fair Trade can help them meet their basic needs for things like adequate water, food, and housing (Murray et al., 2003; Bacon, 2005). Fair Trade can help farmers secure better job prospects (Bacon, 2005), increase their social capital (Elder, 2012), acquire more valuable land, and secure larger animal stocks as well as other agricultural inputs (Ruben, 2012).

There are, of course, many criticisms of evaluations of Fair Trade's impact. Often the evidence is based on surveys of Fair Trade participants (Valkila, 2009; Wilson, 2010). Some worry that even the more rigorous evaluations do not isolate the cause of Fair Trade farmers' success (White & Bamberger, 2008). Many studies fail to control for factors that could explain their results. In any case, impact evaluations certainly vary in breadth and quality.

However, Fair Trade impact evaluations are improving all the time. Some are even quasi-experimental.^x The Center for International Development Issues in the Netherlands commissioned a comprehensive evaluation of eight different Fair Trade programs focusing on different commodities in various locations.

The studies used a sophisticated form of propensity score matching. Most demonstrated that Fair Trade programs improved participants' access to food and credit. Many Fair Trade farmers also had better housing, land, and education than otherwise equivalent farmers. A few studies found that once Fair Trade made up a large enough portion of the market, prices and wages increased in a larger region.^{xi}

There are also some criticisms of Fair Trade's economic impact, though evidence of Fair Trade's positive impact remains. Often participating in Fair Trade networks is not sufficient to help small scale farmers avoid debt and escape poverty. Moreover, the evidence that they reduce gender inequality is mixed (Lyon, 2010; Wilson, 2010; Valkila, 2009; Ruben, 2012). Some complain that Fair Trade does not help the poorest farmers in the poorest countries (Dragusanu and Nunn, 2014). In some cases, participating in Fair Trade networks makes little difference to farmers' income, though it brings benefits in terms of reducing vulnerability, or improving infrastructure (Valkila, 2009; Wilson, 2010; Ruben, 2012). In others, Fair Trade farmers only gain economic benefits from selling a greater volume of product than non-Fair Trade farmers (Barham and Weber, 2012). Sometimes Fair Trade sets a minimum price threshold so there is little direct benefit from participating in Fair Trade networks (Ruben, 2012). Even in these cases, however, Fair Trade may boost welfare in the larger community helping farmers more generally (Ruben, 2012).

It is plausible that, since purchasing Fair Trade certified goods (generally) benefits the poor, we should purchase these products. That is, we have a *prima facie* obligation to purchase these goods. This obligation may be defeated in some cases. If someone cannot afford to purchase Fair Trade certified goods, or there are other conflicting obligations at stake, there may be no obligation to do so. Similarly, if someone has already done their fair share in helping the poor, they may not have to purchase Fair Trade goods. Nonetheless, the average consumer in rich countries should purchase Fair Trade (Hassoun, 2012; Hassoun, 2009; Hassoun, 2012b).^{xii}

V. Conclusion

This paper defended a conditional approach to arguing about fair trade. It suggested that this approach shows why a common objection to arguments about fairness in trade is misguided – namely, that the arguments for fairness in trade from different perspectives are often inconsistent. This paper suggested that much inconsistency can be avoided if we offer conditional arguments for, or against, principles governing fairness in trade. We should not assume, for instance, that principles are justified because they are part of any given practice. Rather, we can suggest adopting the principles *if* the practice is justified. Arguments for Fair Trade may also depend on features of our non-ideal world – like the fact that people are not able meet their basic needs and collectively we are not doing what we need to do to alleviate poverty. Although we might hope to arrive at a complete account of what fair trade requires, we can make some incredibly important moral progress even in the absence of such a theory.

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i (Miller, 2010)

ii Though, he does qualify his argument a bit to allow that human rights considerations may also help specify requirements of fairness.

iii See, for instance: (Rawls, 1999; Pogge, 2002; Brock, 1998; Buchanan, 1990, 227-252; Hassoun, 2008, 191-198).

iv There are also many other conflicting accounts of what makes fair trade requires in practice. Fernando Teson seems to think, for instance, that we need only respect the rules of free markets (Teson, 2004; Teson and Klick, 2007

v To some extent, Kurjanska and Risse's argument is conditional as they explicitly assume a (statist) Rawlsian liberal egalitarian framework on which countries are obligated to ensure that their citizens all have equal opportunities and inequalities in the distribution of resources redound to the advantage of the least well off. This, however, is not enough to defend the idea that the point of Fair Trade should be to promote development. The summary of Kurjanska and Risse's argument is adapted from (Hassoun, 2011a).

vi In evaluating the claim that we should not give a privileged role to states in trade agreements that specify the rules of trade, it may really matter whether one accepts a statist vs cosmopolitan theory of justice. On statist theories, states have special standing in that principles of justice apply, at least, primarily within their borders (Sangiovanni, 2012; Blake, 2001; Miller, 2010). States are supposed to provide a structure of rules that uphold justice and might plausibly be both the proper agents to negotiate, and the subjects of, the rules of fair trade. On the other hand, cosmopolitans tend to focus on the moral importance of individuals wherever they reside (Brock, 1998; Moellendorf, 2005; Caney, 2006; Tan, 2004). They would likely criticize rules that only ensure that states are treated fairly unless this can be grounded in concern for the distributive consequences of trade within their borders.

vii This may have been Kurjansk and Risse's intention but James clearly intends arrive at a relatively complete account of fairness in trade.

viii Note that the kinds of conditional arguments suggested above are not restricted to the approaches that Miller suggests might provide accounts of fair trade. Environmental concerns, for instance, cannot properly be considered producer's entitlements, a distributive result that should come about from an account of fair practice, or a concern for procedural fairness.

ix As this chapter will discuss below, many of these studies do not do enough to establish causation. Nevertheless these are amongst the best available studies (researchers have just started evaluating Fair Trade programs) and they provide at least some evidence in favor of the hypothesis that Fair Trade can benefit the poor.

x For discussion of different kinds of empirical evidence see: (Hassoun, 2010; Hassoun, 2011b).

xi The material regarding fair trade's impact was adapted from (Hassoun., 2012a).

xii See (Hassoun., 2012; Hassoun, 2008; Hassoun, 2009b).