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FAIR TRADE

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MOTION:

**“FAIR TRADE
HOLDS BACK THE
DEVELOPING WORLD”**

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KEY TERMS

Millennium Development Goals

INTRODUCTION

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One of the few areas of the UK economy to buck the recession has been the ethical goods and services market, which in 2009 was worth £43.2 billion, an increase of 18% in two years [Ref: Guardian]. By far the highest profile sector is Fair Trade, an initiative made famous through the Fairtrade Foundation, which seeks to pay farmers and producers in the developing world a minimum ‘fair’ price for their goods, enabling them to maintain a basic standard of living while working their way out of poverty. Its supporters argue this is vital, as subsistence workers in the developing world are routinely exploited by wealthy corporations, and that the development model of the prices being fixed through the market – or free trade – works only in the interests of already developed nations. There are a number of campaigners who would like the Fair Trade approach to be extended to all the goods sold in the UK but manufactured abroad. However, Fair Trade is viewed as controversial from a number of different viewpoints. Opponents suggest that Fair Trade does more harm than good to the developing world, as it traps producers into an artificial system of low pay and hampers development, as free markets would force greater efficiency, diversification and innovation (as they did when Western countries were developing). Frequently, it is suggested, Fair Trade acts as a modern form of imperialism, where those living in abject poverty are forced to adopt the moral fads of wealthy Westerners, which may not be in their own best interests. Overall, the Fair Trade debate reflects conflicting contemporary attitudes to consumerism, globalisation and international development which need to be unpacked.



THE FAIR TRADE DEBATE IN CONTEXT

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The 'fair' choice...

For its supporters, fair trade offers a straightforward moral decision: most of those involved in producing goods for the developed world are forced to live below the poverty line, often in extremely dangerous and unhealthy conditions, to provide cheap goods for already comfortable Westerners and extremely large profits for multinational corporations. The Fairtrade Foundation offers to pay a set premium, above the market price, in return for improved working conditions and sustainable practices [Ref: [Fairtrade Foundation](#)]. Although this cost is passed on to consumers, the continued growth of the ethical market even after the financial crisis, and the willingness of scandal-hit companies to sign up to Fair Trade policies highlight the desire among consumers to make moral choices about the goods they buy. Fair Trade, it is claimed, is also a pragmatic economic choice as it offers an opportunity for the developing world to work its way out of poverty [Ref: [Independent](#)], thus avoiding an often destructive reliance on foreign aid, whilst creating a level playing field for poor farmers who struggle to compete with heavily-subsidised Western producers [Ref: [Financial Times](#)].

...or fair delusion?

Opponents of Fair Trade maintain that they are just as passionate in their opposition to poverty, but argue that variations on the current free trade model provide the best way forward. Fair Trade may sound good in principle, it is argued, but the reality does not match up: the economic benefits to developing world farmers for coffee and cocoa are negligible and do little to improve their material conditions, and in some instances can actually make things worse. Some argue that it holds back the

developing world, since it acts as a subsidy to continue outdated and economically unviable agricultural methods and, in some cases, actively discourages mechanisation and modernisation in favour of a small-scale 'rural idyll' [Ref: [Guardian](#)]. Part of the problem, it is argued, is that 'ethical consumption' is more about Western consumers feeling good about themselves rather than confronting the complex and conflicting political issues inherent in development. As such, any benefit from fair trade tends to get channelled into fashionable causes favoured by those in the developed world. Even with regard to the heated issue of sweatshops, some argue that those with more comfortable lives in the West fail to understand the economic realities of people living in developing countries for whom such labour can offer better opportunities than what else is on offer [Ref: [New York Times](#)]. Furthermore, some suggest, making 'ethical' consumer choices can actually distract from politically challenging the Western trade barriers which do the most harm [Ref: [ConservativeHome](#)].

The problems of development

The high profile Fairtrade Foundation has been at the centre of particular criticism for offering little more than a drop in the ocean to farmers in terms of premium payments, whilst saddling them with high certification charges that only farmers in middle income countries can afford [Ref: [Yorkshire Post](#)]. However, it is important to recognise that the Fairtrade Foundation – regardless of its individual successes or failings – is only the most recognisable of numerous organisations which promote a form of fair, or ethical, trade [Ref: [Economist](#)]. This debate takes place within the context of an ongoing ambivalence towards



DEBATE IN CONTEXT CONTINUED...

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the benefits of international aid for the developing world, which some economists argue is often counterproductive and creates only further cycles of dependence [Ref: [Foreign Affairs](#)]. Advocates maintain that fair trade offers the opportunity for poverty-stricken nations to build sustainable economies and develop infrastructure, and that encouraging ethical consumption in the developed world adds a moral dimension to the marketplace. But critics counter that low prices are the result of overproduction, and so fair trade can hinder producers from responding appropriately to market signals. Moreover, they argue that free-market reforms in countries such as Brazil have led to mechanisation and vast improvements in productivity that act as a spur to economic growth and point to the best way forward. Similarly, some argue that companies benefit society simply by going about their normal business and what developing countries need is more companies and economic activity, not more corporate social responsibility initiatives and regulations [Ref: [Economist](#)]. Finally, some argue that fair and ethical trade offers consumers one of the few ways of making moral choices in a consumerist society [Ref: [Guardian](#)], whilst others question whether the anti-consumerist moralism being promoted is really something to celebrate.



ESSENTIAL READING

Fair Trade does not help the poorest, report says
Henry Wallop *Telegraph* 4 November 2010

The great KitKat debate: is it fair?
Independent 28 January 2010

Q&A: Fair trade for all
Caspar van Vark *Guardian* 27 February 2008

FOR

Bitter truth about Fair Trade versus free trade
Nick Hayns *Yorkshire Post* 9 November 2010

Not so fair trade
Andrew Chambers *Guardian* 12 December 2009

Sorry, but fair trade is a political issue
Patrick Hayes *spiked* 5 August 2009

The poverty of Fairtrade coffee
Alex Singleton *Telegraph* 23 February 2008

AGAINST

Let's be fair to Fairtrade – it can reduce poverty
Martin Hickman *Independent* 6 November 2010

Finding fairer ways to trade
John Hilary *Guardian* 1 March 2010

My Fairtrade Lady
Paul Kendall *Telegraph* 19 February 2010

The appeal of Fairtrade is growing on every continent
Roland Gribben *Telegraph* 18 February 2009

IN DEPTH

Free trade, not fair trade, will pull poor people out of poverty
Philip Booth *ConservativeHome* 2 December 2010

No markets were hurt in making this coffee
Michael Skapinker *Financial Times* 8 November 2010

Smart Samaritans
Michael A Clemens *Foreign Affairs* September 2010

This year's must have fashion: pity for Indians
Daniel Ben-Ami *spiked* 24 June 2008

Free doesn't mean unfair
Julian Baggini *Guardian* 5 March 2007

In Praise of the Maligned Sweatshop
Nicholas D. Kristof *New York Times* 6 June 2006

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BACKGROUNDERS

[HARDtalk with Harriet Lamb](#)

BBC News 17 January 2011

[Companies aren't charities](#)

Economist 21 October 2010

[The benefits of Fairtrade chocolate](#)

BBC News 31 August 2010

[The Great Cotton Stitch-Up](#)

Fairtrade Foundation Report 2010

[Fair Trade Without The Froth](#)

Sushil Mohan *Institute of Economic Affairs* 2010

[Half A Cheer for Fair Trade](#)

Philip Booth and Linda Whetstone *Institute of Economic Affairs*
2007

[Voting with your trolley](#)

Economist 7 December 2006

[The Bitter Aftertaste](#)

WORLDWrite 2004

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ORGANISATIONS

[Adam Smith Institute](#)

[Fairtrade Foundation](#)

[Institute of Economic Affairs](#)

[War on Want](#)

[World Trade Organisation](#)



IN THE NEWS

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Ethical consumer spending bucks recession with 18% growth

Guardian 30 December 2010

Fairtrade goes fashion

Telegraph 18 November 2010

Cotton subsidies costing west African farmers £155m a year, says report

Guardian 15 November 2010

NHS urged to buy Fairtrade and ethically sourced kit

BBC News 27 February 2010

Gloucester in bid to become Fairtrade city

BBC News 17 February 2010

Co-op tops charts of fair trade retailers

Marketing Week 17 January 2010

Kit-Kat biscuits to go Fairtrade in the new year

BBC News 7 December 2009

Tea farmers struggle for survival in fields of gold

Observer 8 November 2009

Fairtrade gets £12m bumper grant

BBC News 10 October 2009

BBC forces George Alagiah to quit role as Fairtrade charity patron

The Times 4 August 2009

Dairy Milk switch aids Ghanaian farmers

Telegraph 22 July 2009

Tea workers still waiting to reap Fairtrade profits

The Times 2 January 2009

The Big Commitment: Wales is Fair Trade

Sky News 7 June 2008



FAIR TRADE:
"Fair trade holds back the developing world"



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Professional role
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THINKING DEEPLY
ABOUT...SOCIAL
ISSUES”**

IAN GRANT, CEO, BRITANNICA

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