

Carleton University

FAIR TRADE AND GLOBAL JUSTICE:
The Radical Possibilities of Reform

**A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirements for the degree of
Master of Arts**

Institute of Political Economy

by

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Ottawa, Ontario

July 2007
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Your file *Votre référence*
ISBN: 978-0-494-33776-9
Our file *Notre référence*
ISBN: 978-0-494-33776-9

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Abstract

Fair trade has emerged in the context of various struggles, collectively termed the global justice movement, that challenge neoliberal efforts to deregulate international markets in the name of free trade. Although often characterized simply as an isolated reform initiative, the fair trade system exhibits radical possibilities when considered in the context of these struggles. With attention focused on a case study of fair trade banana production, as well as the literature on coffee, fair trade is itself treated here not as fixed in form, but as a site of struggle. Informed by a Polanyian perspective, moreover, the thesis argues that fair trade opposes reliance on the free market and presents an alternative that tends to re-embed the economy in social relations. Polanyi's concept of "countermovement" is employed to maintain that the radical possibilities of fair trade depend upon strengthening connections with radical initiatives in the global justice movement.

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LIST OF ABBREVIATIONS

ACP	African Caribbean Pacific
ATO	Alternative Trade Organization
ATTAC	Association for the Taxation of Financial Transactions for the Aid of Citizens
CARICOM	Caribbean Community and Common Market
CEO	Chief Executive Officer
CI	Conservation International
CSA	Community Supported Agriculture
DAN	Direct Action Network
DSP	Dispute Settlement Process
EC\$	East Caribbean Dollar
EPA	Economic Partnership Agreement
EU	European Union
EZLN	<i>Ejército Zapatista de Liberación Nacional</i> (Zapatista Army of National Liberation)
FOB	Freight On Board
FLO	Fairtrade Labeling Organization International
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IFAT	International Fair Trade Association
IMF	International Monetary Fund
ISO	International Organization for Standardization
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organization
NIs	National Initiatives
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Program
SVBGA	St. Vincent Banana Growers' Association
TNC	Transnational Corporation
UFCO	United Fruit Company
WIBDECO	Windward Islands Banana Development and Exporting Company
WINBAN	Windward Islands Banana Growers' Association
WINFA	Windward Islands National Farmers' Association
WSF	World Social Forum
WTO	World Trade Organization
WWII	World War II

Introduction

The struggle for global justice takes many forms. We find no single movement, or a simple plurality of new social movements, but what has been called a “movement of movements” that—despite their diversity—share a common opposition to neoliberal economic globalization (Klein 2002: 4; Ayres 2004: 25-26; Shepard 2004). The most dramatic actions of the movement have involved large-scale protests against neoliberal international institutions and the legacy of colonialism. First attaining widespread public visibility with the Seattle protest against the World Trade Organization (WTO) in 1999, such demonstrations have now occurred throughout the world, from the Québec City protest in 2000 to demonstrations in Hong Kong in 2005. Such transnational protests attract activists affiliated with many different movements that deal with social and environmental concerns while pointing to a common target: neoliberal globalization.

The ends of the different groups may vary, with some explicitly seeking moderate reforms and others demanding radical transformation, but they can all be regarded as connected in the sense of being part of a larger movement opposed to the deregulated form of capitalism promoted by neoliberalism.¹ This thesis looks at one struggle in particular, the effort to promote fair trade—especially through fair trade certification initiatives—and examines this effort in terms of its connections with the global justice movement. The argument is that the fair trade system is not an isolated reform initiative, but a site of struggle that could become integral to the movement of movements. As a

¹ Here, I use the term “deregulated” in order to describe the form of capitalism that neoliberalism tends to promote. Neoliberalism involves the deregulation of markets—toward the ideal of “free” markets—however, neoliberal policy does not mean that markets become *unregulated*. The term *deregulated* emphasizes that neoliberalism involves a shift away from old forms of regulation toward new forms of regulation that accord with the rules of financial institutions such as the WTO, rules that are skewed in favour of already powerful countries.

site of struggle, fair trade does not have a pre-determined future, and the system might be developed in a way that strengthens its connections with radical initiatives in the global justice movement.

The diversity of this larger movement is evident in efforts to characterize or name the wide range of emerging initiatives that resist neoliberalism. The thesis will rely mainly on the term “global justice movement”, while recognizing that the movement also incorporates elements that are perhaps better classified with the term “anti-globalization” or “alterglobalization” (Starr 2005: 113). Although diverse and sometimes even in conflict, the movements that make up the global justice movement—ranging from calls for a Tobin Tax and Debt Relief to transnational protest movements (such as La Vía Campesina) and popular actions for local autonomy (such as those of the Zapatistas in Mexico)—can be understood as part of the same movement in the sense that they all challenge neoliberalism. Fair trade, in particular, challenges the neoliberal model by presenting an alternative model of trade that prioritizes the needs of producer communities.

Fair trade certification began with the Dutch Max Havelaar labeling initiative for fair trade coffee in 1988 and since then has developed into an international certification system. National Initiatives (NIs) such as the Max Havelaar and TransFair certification labels became part of an international umbrella organization called the Fairtrade Labeling Organization International (FLO) in 1997. FLO is responsible for setting international fair trade standards and monitoring producers; the 21 NIs are responsible for certifying licensees in their respective countries to import fair trade products. Although the product line is expanding, fair trade certification still generally involves the goods of small-scale

agricultural producers. Certification practices enforce standards that guarantee a minimum floor price, a separate social premium for community-determined projects, the development of democratic structures, long-term trading contracts, a ban on certain pesticides, and the diversification of production, together with environmental and labour standards (FLO 2007).² Overall, fair trade certification follows an alternative model of trade based on regulating trade so that it provides for the needs of producer communities.

The concept of *fair* trade—as opposed to *free* trade—points to problems in the current form of neoliberal global trade that are similar to those Karl Polanyi identified in the rise of economic liberalism³ in 19th century England. However, whereas Polanyi believed that he had seen the end of the “self-regulating market” in the 1930s, some have suggested that neoliberal trends in global finance—particularly since the abandonment of the Bretton Woods system in the 1970s—are a revitalization of the liberal market ideal (e.g. Helleiner 1995; Burawoy 2003: 240; Best 2003: 364; Benería 1999: 61, 2003: 69; Friesen 2000: 78; Bernard 1997: 85; Polanyi Levitt 2004: 5). Proponents of neoliberalism have a belief in the equilibrium-producing economic law of supply and demand, hearkening back to the Smithian faith in the “invisible hand” of the market. For instance, in her introduction to the *Wealth of Nations*, Katherine Sutherland suggests a connection between recent neoliberal trends and the revival of Adam Smith’s ideas, drawing attention to the neoliberal right-wing think-tank called the Adam Smith Institute (1993: ix). Critics of neoliberal globalization, however, challenge the ideal of the self-

² Since 2004, fair trade producers have paid a fee to help offset the costs of certification. According to TransFair Canada, FLO’s decision to introduce this fee has received support from producers, and there is a fund to subsidize (up to 75 per cent of the total) small-scale producers unable to afford the fee (TransFair Canada 2007).

³ The thesis distinguishes between *economic* liberalism, which promotes rights to private economic initiatives in the market, and *political* liberalism, which advances rights necessary for legal involvement in

regulating market, pointing to devastating social and environmental effects of capitalist mass production and consumption as encouraged by neoliberal “free” trade. These critics thus challenge the neoliberal tendency to focus on the productive efficiency of the market, drawing attention to ethically undesirable consequences. In effect, the critics thereby return us to the concerns of Smith and early liberalism in general. For the thinkers in this tradition, any tendency to separate economic and ethical concerns would have been unimaginable.

A Polanyian interpretation of the current trend toward neoliberal globalization—the deregulation of national markets in the 1980s and 1990s for the freer movement of capital in an integrated global market—involves attention first to the creation of the neoliberal market, and second, to the countermovement that emerges to ameliorate the social problems produced by the free market. Helleiner points to emerging “countermovements”,⁴ ranging from initiatives for an international tax on foreign exchange markets to more local initiatives for alternative currencies (157-159). This thesis builds upon the notion of emerging countermovements by arguing that fair trade initiatives are connected with, and might become integral to, a larger movement that challenges neoliberalism.

Advancing a Polanyian interpretation of the global justice movement, my thesis considers the extent to which fair trade also opposes the free market rationale and presents an alternative that, in terms derived from Polanyi, tends to re-embed the

political activity. Political liberalism might be viewed as providing important opportunities to challenge economic liberalism.

⁴ Polanyi does not refer to “countermovements” in the plural; however, he says that the countermovement in 19th century England took on a “great variety of forms” (151). Like Helleiner, I will use the term countermovements to refer to a range of the initiatives currently being taken to restructure the global justice movement; however, in strict Polanyian terms, such elements would be part of a larger “countermovement” in an historical process of “double movement”.

economy in social relations. “Fair trade” can be associated with many types of efforts to reform trade in the global economy; however, the thesis will focus on fair trade certification because it constitutes a concrete institutionalization of an alternative model of trade that seeks to ameliorate problems of global injustice. The point of the thesis is to demonstrate the limits and possibilities of this fair trade system both on its own and in relation to the larger movement for global justice. Under FLO, the fair trade system follows standards that attempt to subordinate market principles to social and ecological regulations. Fair trade coffee—the first and most successful fair trade product—has gained increasing popularity among consumers throughout Europe, North America, and Japan over the past decade and has countered market fluctuations in supply and demand by setting minimum prices. In addition, fair trade bananas are taking dramatic hold of some markets in Europe, reaching 50 per cent of market share in Switzerland in 2004 (Nicholls and Opal 2005: 102).

Fair trade emerged primarily as a response to the rising instability of primary commodity markets as well as the dominance of transnational corporations (TNCs) over raw material industries. Indeed, although the fair trade range of certified products has expanded in recent years to include fruit juices, wine and even soccer balls, the system still remains predominantly committed to the certification of primary commodities such as coffee, bananas, tea, and cocoa. According to Greg Buckman, approximately 60 per cent of the coffee trade is controlled by eight TNCs, 90 per cent of tea trade by seven TNCs, 83 per cent of cocoa trade by three TNCs, and 80 per cent of banana trade by three TNCs (2004: 37). By setting minimum prices and establishing direct ties with producers,

the fair trade system promotes standards aimed to stabilize prices and to curb the dominance of TNCs.

Here, it is necessary to distinguish between the fair trade certification model—based on particular standards—and the fair trade certification system as it operates in practice. That is, at a conceptual level, the model refers to an ideal that may not completely conform with actual practices. For instance, although fair trade offers an alternative way for producers to access the market, some have criticized the system's growing dependence on large corporations to increase the market share of fair trade products (Starr and Adams 2003: 23; Fridell 2007: 243-262, 286-290). The thesis will distinguish between fair trade as a model or a conceptual ideal and fair trade in practice, in order to take account of the complexities involved in the system and to consider how fair trade relates to a larger movement.

In the context of the global justice movement, fair trade explicitly challenges the rationale of the liberal “self-regulating market”, raising ethical questions about the relationship between the market and the needs of society. As discussed above, the global justice movement is diverse—as the phrase “movement of movements” suggests—but appears united in its common resistance to neoliberalism and conviction that “another world is possible” (Klein 2002: 4; Ayres 2004: 25-26). Despite having a common target, the movement remains pluralistic and, to an extent, divergent in the various alternatives proposed. These range from efforts that would reform the capitalist structure to actions aimed at completely rejecting it. Establishing an analytical distinction between “reformists” and more radical “rejectionists” (Ayres 2003-4: 92-94; cf. Buckman 2004) is helpful in understanding a key tension in the global justice movement.

Whereas reformists call for more regulation of globalization (e.g. the Tobin Tax), radicals tend to completely reject working within capitalist structures. Some radical, anti-capitalist elements of the movement, like movements for local autonomy, are thoroughly “*anti-globalization*”, advocating local alternatives while rejecting participation in the global economy (Starr and Adams 2003: 19; cf. Escobar 2004: 221). For its part, fair trade involves a market-based strategy that aims to reform established economic relationships by coordinating and regulating exchange between producers and consumers. Although it can thus appear as a limited strategy that is simply part of capitalism, fair trade exhibits more radical possibilities if considered as one initiative among many in a larger movement for global justice.

Fair trade, as we have seen, refers both to concepts and practices. The first chapter will consider the *fair trade model* as a conceptual alternative to the neoliberal model, and the second chapter will examine how the *fair trade system* operates in practice, paying particular attention to a specific case. As a concept, fair trade challenges the prioritization of market principles of capitalist price competition, suggesting an alternative that prioritizes the needs of producers and communities. Ethical questioning of the relationship between the requirements of the market and the needs of society is part of pre-capitalist debates over the just price, which—as articulated by Aristotle and St. Thomas Aquinas—sought to restrict market relations. Polanyi draws attention to the notion of the just price as part of his larger challenge to Smith’s naturalization of economic laws. Polanyi demonstrates that liberal economic laws were not part of a natural order, but were instead actively put into place by the state. He challenges the liberal self-regulating market, arguing that it produced social disruption and suffering.

Similarly, fair trade points to social and ecological problems associated with the unrestricted type of capitalism that neoliberalism fosters. It is in advancing ethical demands sharply at odds with the norms of neoliberalism that the fair trade concept clearly coincides with the orientation of the larger global justice movement.

According to Polanyi, the self-regulating market, far from being natural to human society, departs from what had previously been typical in the organization of economic relationships. In fact, economic relations were typically not separate from social relations—that is to say, what we call the economy was “embedded” in society (1957a: 81). The rise of economic liberalism involved the “disembedding” of the economic from the social (1957a: 81). Drawing upon Polanyi, Laura Reynolds has introduced the further concept of re-embedding. This thesis will build upon her contention that fair trade and organic movements “work to re-embed production in natural and social processes and create an alternative agro-food trade” (2000: 306). If this is so, it is necessary to interrogate how fair trade constitutes an effort to re-embed economic life in a way that directly responds to the social and ecological needs of communities.

Here we come to a key question. Does fair trade offer only a limited potential for reform, or does it have more radical possibilities? To say that it is simply a reform initiative within a free market system would be correct if fair trade simply increased financial returns to individuals in the market system and had no implications beyond that. However, fair trade also helps to strengthen producer communities. The standards seek to regulate the market, thereby tending to at least partially re-embed economic relations in the social.

Such partial re-embedding would not, of course, constitute a radical transformation of the global economy. Viewed as an isolated initiative, indeed, fair trade is certainly limited since it depends on global capitalist trade and consumerism in North America and Western Europe. However, I will argue that fair trade exhibits radical possibilities when considered in the context of the global justice movement. Since fair trade works within the market, it can be seen as part of the market system while simultaneously challenging its rationality and promoting another logic. It is in connection with a Polanyian countermovement that fair trade promotes such an alternative through a tendency to re-embed economic relations in social relations. This argument will be advanced both theoretically, in regard to ethical debates in political economy, and empirically, considering the current possibilities and limitations of the fair trade system, particularly in the cases of fair trade coffee and bananas.

The thesis will demonstrate that, at a conceptual level, fair trade is guided by principles (and even explicit standards) that are oriented to the goal of global justice. Of course, there is no one clear statement of what “justice” means for this movement. However, it is possible to discern at least a common orientation if we focus on what is deemed unjust. There is a common view within the movement that neoliberal capitalism creates injustice. This injustice is not conceived simply as a matter of inequitable financial returns to individuals, for there is a clear tendency to promote forms of livelihood that enhance the well being of democratically organized communities. The thesis will argue that such efforts can be conceived, in Polanyi’s terms, as part of a countermovement against neoliberal capitalist globalization that seeks a re-embedding of

the economic within the social. Since fair trade, as a concept, seeks a similar re-embedding, it fits conceptually with the global justice movement.

The first chapter will establish the theoretical context for a Polanyian interpretation of current trends in the global economy. Here, fair trade will be considered as a concept rooted in an ancient debate over the role that the economy ought to play in society. Current debates over the need for fairer trade are reminiscent of the moral dilemma Smith faced in his justification of free market capitalism, and the chapter will discuss the contemporary relevance of Smith as one of the founders of the basic principles of economic liberalism. Although proponents of neoliberalism tend to emphasize that there are no viable alternatives, the chapter will maintain that the fair trade model—among several other initiatives—does indeed propose an alternative form of economic and social organization. The very emergence of fair trade suggests that the Smithian ideal of the liberal market is in practice not bringing about overall prosperity. Smith's solution to the moral dilemma over the accumulation of wealth is to argue that the free market will raise living standards for everyone and will thus be in everyone's interests. However, the global justice movement responds to experiences that render this claim dubious, so that this ideal is questionable. If we call the free trade ideal into question, then the moral dilemma Smith faced is still relevant today.

We will consider Polanyi's attack on the Smithian ideal, raising the relevance of the concept of the "just price" as formulated by Aquinas under the influence of Aristotle. As we will see, the debate over the just price helps to show that the emergence of liberalism in the 19th century involved a dramatic departure from an earlier emphasis on moral limits to the accumulation of wealth. The chapter will draw on both Karl Marx and

Karl Polanyi's critiques of unrestricted capitalism, focusing mainly on Polanyi in order to draw out his arguments about how the liberal economy is created and involves a disembedding of the economy from social relations. Here, Polanyi's distinction between an embedded and disembedded economy is relevant to whether there is an emerging countermovement and whether fair trade standards aim to re-embed economic relations so that they serve the needs of producer communities. With its theoretical focus, however, the first chapter does not fully confront the question of whether fair trade standards are actually being met in practice.

How does the fair trade system work in practice and what are its radical possibilities? The second chapter will consider how the system actually operates and the extent to which it exhibits tendencies toward re-embedding. The chapter will focus on the production side of fair trade in order to look at how it affects producer communities in terms of some key questions. What role does fair trade play in securing financial returns to producers? Does fair trade work to do more than increase financial returns to individuals? How are standards of achieving community well being and enhancing democratic organization being met?

Fair trade practices have mainly been examined in the case of coffee, and the second chapter will draw upon this literature. However, the focus of the second chapter will be a case study of fair trade banana production on the island of St. Vincent, which is part of the Windward Islands in the eastern Caribbean. The chapter will introduce the historical background of banana production in order to demonstrate that, although the system was never fair or completely embedded to begin with, trade from these small island economies to Britain has been historically based on a longstanding system that

granted colonies preferential access to the British market. A 1990s WTO dispute dramatically altered this earlier system, starting a rapid process of liberalizing the eastern Caribbean banana trade. The chapter will show how banana producers in St. Vincent have become part of the fair trade system in order to help cope with liberalization. This particular case study is based on fieldwork I conducted in St. Vincent in November 2006. Although St. Vincent is simply one example of how fair trade is helping to sustain producer communities, the case demonstrates, at a minimum, that fair trade has become crucial to one region. This particular case is not enough to generalize about fair trade in practice; however, the case can be compared with other case studies and can also be viewed within the larger movement for global justice. As we will see, fair trade banana farmers in the Windward Islands have explicitly expressed their resistance to neoliberal globalization, thereby connecting their own local struggle to a larger struggle for global justice.

The third chapter will move beyond the particular case of fair trade bananas to address the question of whether the fair trade certification system might constitute a significant, even integral, part of the global justice movement. Drawing upon existing scholarly literature as well as interviews with participants in the fair trade system, the chapter will consider how diverse and sometimes contradictory initiatives can be connected in common resistance against deregulated capitalism. These considerations help us to situate fair trade in respect to the larger movement.

In this chapter, we will consider criticisms of fair trade from opponents of neoliberalism who dismiss fair trade as a consumer movement lacking any radical potential. To what extent does fair trade constitute a form of resistance to neoliberal

capitalist globalization? Is fair trade simply a market-based initiative seeking to reform capitalism, or does fair trade have radical possibilities? By itself, fair trade seems limited in its challenge to neoliberalism since the system depends on the global market. Even while operating within the existing market system, however, fair trade tends to challenge it, thereby encouraging the creation of new, more equitable, trading relationships. Fair trade is thus neither strictly a reformist nor radical movement, but is instead a site of struggle over both its own future direction and that of the global economy.

The third chapter will argue that, in connection with the larger movement, fair trade exhibits radical tendencies. Although fair trade seeks reform, it also promotes ideals shared by more radical elements in the global justice movement. While pointing to the possibilities of fair trade as a movement which promotes an alternative form of trade, the chapter will also be alert to the limits of the system and to counter tendencies. For instance, in order to make a significant contribution to the global justice movement, fair trade would need to expand its share of the market through increased consumer demand. However, such an expansion of consumer demand might expose the fair trade system to being absorbed by the neoliberal corporate agenda. The point of the thesis will thus not only be to establish that fair trade has radical possibilities, but also to indicate in some practical detail both how this potential might be blocked and how fair trade promoters might best focus their efforts in the cause of global justice. We will thus, in the conclusion, turn to directly address the question of strategy.

Chapter 1

Fair Trade in Theory:

Questioning the Free Trade Ideal

The expression “fair trade” indicates a challenge to the liberal free trade ideal by implying that free trade is unfair. Fair trade resists the logic of unrestricted capitalism, offering an alternative model of trade that subordinates economic laws of supply and demand to guaranteed minimum prices⁵ while advancing social and ecological standards that prioritize the needs of producer communities. Such ethical questioning of the role of the market also challenges the assumption that the market is natural and that humans are essentially profit-maximizing individuals. Indeed, fair trade raises the question of what purpose economic relations should serve.

What is fair trade, and what makes trade fair? To consider these questions, this chapter will examine the fair trade model in the context of the tradition of political economy, which emerged in both the advancement and the critique of modern capitalism. Here, Adam Smith’s promotion of the free market stands out, along with Karl Marx’s critique. Of pivotal significance, however, is the work of Karl Polanyi, who not only advances a critique of Smith, but also draws attention to the contemporary significance of a pre-modern tradition of economic thought. Especially relevant in this tradition is the concept of a “just price”, which St. Thomas Aquinas developed under the influence of Aristotle. The point of this chapter is not that the fair trade model simply repeats an earlier tradition in economic thought, but that—as Polanyi helps us to see—an understanding of this tradition is necessary to grasp that more is at stake in the fair trade

model than the distribution of costs and benefits in the market. So, too, are the survival and well being of communities.

Since neoliberalism is often said to be a revival of the Smithian ideal of the liberal self-regulating market (Sutherland 1993: ix; Steger 2005: 9), Polanyi's opposition to this ideal is important. As a moral philosopher, Smith attempted to justify the liberal free market on ethical grounds, claiming that free market exchange is rooted in human nature and that the economic laws of supply and demand make for a "self-regulating market" benefiting all (Polanyi 1944: 129, 132). Here, the market becomes distinct from society, operating according to its own laws. Polanyi, however, challenges the Smithian ideal of the self-regulating market, arguing that the market is not something natural but a human artifice that has created a great deal of suffering.

This chapter will discuss the emergence of liberal economic theory from its historical connection to moral theory in order to demonstrate that current revivals of the Smithian ideal remain subject to the criticisms that both Polanyi and Marx identified in systems of unrestricted capitalism. As we will see, in light of such critiques of Smith's ideal, we can call into question the extent to which neoliberalism offers a fair model of trade. Proposals for fair trade pose a significant challenge to the neoliberal model. Even so, fair trade works within the current market structure and might thus be viewed simply as a reform initiative that lacks any radical potential. Nonetheless, the very term "fair trade" is significant and somewhat ironic if considered in terms of the historical relationship of economics to ethics. For Smith and his followers in the liberal economic tradition, free trade is fair—and no other kind of trade can be fair. The very name "fair

⁵ The fair trade minimum prices are product and country specific, and guarantee that if the market price falls below the minimum price then producers will be paid the fair trade minimum price. If the market

trade” thus expresses a radical tendency, questioning the current economic order and suggesting that it is, in fact, fundamentally unfair.

The first section of the chapter will briefly explain the fair trade model, focusing on basic principles and standards of fair trade certification and indicating how the model has emerged in response to the revival of the Smithian free market ideal that has become evident in neoliberal trends over the past three decades. Then, the chapter will move to a discussion of the historical context involved in Smith’s free market proposal. He was faced with an ancient moral problem about the accumulation of profit, and he solved the problem with a notion of the liberal free market that would benefit all in a society of perfect liberty. Both Marx and Polanyi’s critiques of this ideal will be relevant. The final sections of the chapter will relate such critiques to those advanced in current movements for global justice, demonstrating the current significance of Polanyi’s notion of countermovement for contemporary debates over fair trade.

1. Fair Trade: A Challenge to the Liberal Ideal

Fair trade challenges the Smithian view that economic liberalism is the best system and that it will benefit everyone. By suggesting that free trade is in fact unfair and proposing an alternative system of trade that prioritizes the needs of producer communities, fair trade challenges some of the basic assumptions of neoliberalism. The current free trade market model of neoliberal globalization is often said to be a revival or reinterpretation of classical liberalism. For instance, Manfred Steger links neoliberal values and policies to his concept of “globalism”, the dominant ideology in economic, political, and cultural globalization. Steger indicates that neoliberalism, rooted in classical economic liberalism, gives primacy to the operations of an independent market

price is higher than the fair trade minimum price, then producers receive the higher price.

mechanism: “The market is seen as a self-regulating mechanism tending toward equilibrium of supply and demand, thus securing the most efficient allocation of resources” (Steger 2005: 9). Steger emphasizes the extent to which Smith (or liberalism in general) calls for liberating markets from state interference. Classical liberals maintained that market capitalism would benefit society. Critics of economic globalization—or “globalism”—indicate concrete ways in which deregulated markets function to the disadvantage of the many and to the advantage of the few. Of course, the current promotion of neoliberalism is also part of a larger historical context of colonialism. The rich and powerful countries that developed under a colonial form of protectionist trade have now come to impose free trade models on countries that were their previous colonies.

Steger attempts to unravel the current ideology of “globalism”. One of the core aspects of globalism, for Steger, is the belief that economic globalization will benefit all. If current trade practices are fair—and thus, according to the model, beneficial—there should be no need for a fair trade initiative. Fair trade draws attention to some of the problems of globalization and proposes an alternative to the promotion of free trade. The very proposal of an alternative challenges a key feature “globalism”—the belief that neoliberal “globalization is inevitable and irreversible” (Steger 2005 60), that there is no alternative.

Francis Fukuyama (1989) and Thomas Friedman (2000) have each suggested that free market capitalism—or economic liberalism—is the best economic model to generate wealth in society and that there are no viable alternatives. In the period leading to the fall of communism, Fukuyama—drawing upon a Hegelian conception of history—

proclaimed the “unabashed victory of economic and political liberalism” and suggested that it could spell “the end of history” (1989: 3-4). The end of history here refers to the end of ideological alternatives—“the total exhaustion of viable systematic alternatives to Western liberalism” (1989: 3). Like Fukuyama, Friedman also gives a sense of the inevitability of free market capitalism by suggesting a lack of alternatives. He claims that there is no “ready ideological alternative now” to free market capitalism: “When it comes to the question of which system today is the most effective at generating rising standards of living, the historical debate is over. The answer is free market capitalism” (2000: 104). In terms of Steger’s notion of the ideology of globalism, both Fukuyama and Friedman tend to work within, and thereby reinforce, what Steger deems the ideology of globalism. Nonetheless, Friedman does allow a significant qualification: “Other systems may be able to distribute and divide income more efficiently and equitably” (2000: 104). Although he quickly adds that “none can generate income to distribute as efficiently as free market capitalism” (2000: 104), Friedman’s qualification is significant in at least allowing for the possibility of alternatives. He is unable to give such alternatives their due, however, because he gives wealth generation undisputed priority and at least implicitly believes that this task is one that must be left to a mechanism detached from society.

Numerous initiatives now challenge the view that free market capitalism is the only viable possibility; these include systems of local currencies, local markets, community supported agriculture, and cooperative production. The fair trade model, as developed in the fair trade certification system, is another example—an alternative form of trade that is based on the goal of providing for the needs of producer communities

through the maintenance of minimum prices, the funding of community projects, and the establishment of health and labour standards. Central to the fair trade model is the establishment of a minimum price for commodities in order to protect producers from market fluctuations. In the coffee industry, this means there should be a guaranteed price that establishes a minimum. As Deborah James indicates, coffee prices (at the time of her article) had fallen to a low of 70 cents per pound while fair trade prices were, in contrast, guaranteed at \$1.26 per pound (2002: 221). Such a guaranteed price counteracts downward pressure on prices in the free market, though the fair trade price can rise with the market price above the minimum. Fair trade, in this connection, is meant to protect against the vulnerabilities that free trade poses, particularly for small-scale producers forced to compete with giant transnational corporations that are generally able to withstand price fluctuations.

Although fair trade is usually associated with coffee, the application of the model has expanded to include bananas and other fresh fruit, tea, cocoa, sugar, rice, quinoa, honey, dried fruit, fresh fruit juices, herbs and spices, nuts and oil seeds, wine grapes, seed cotton, flowers, and sports balls (FLO 2007 and TransFair Canada 2007). Indeed, raw material exports are the main focus for fair trade, making it especially relevant for countries that face growing poverty due to their dependency on such exports (Buckman 2005: 86-87). In this context, fair trade is a strategy to stabilize prices by setting minimum prices and direct ties between producers and distributors.⁶

⁶ The fair trade system has emerged largely in response to deregulation in international commodity markets. This has been the case both with coffee (following the collapse of the International Coffee Agreement) and with bananas in the Windward Islands (following the 1990s WTO dispute); see, respectively, p. 90 and pp. 62-67 below. The fair trade system helps respond to the price instability in primary commodity markets by setting minimum floor prices. The context of the emergence of fair trade certification, however, may also involve the problem that primary commodities tend to sell for less than

While market based, the fair trade model addresses problems in the free market system, and the guaranteed price is only one element of the model. Overall, the main tenets of the fair trade model involve standards that emphasize the importance of sustaining communities. The immediate purpose of the minimum prices is to create the stability necessary to secure for producers an adequate livelihood. Fair trade also supports the creation of reasonable working conditions that protect both health and the environment (as, for example, through the development of farming techniques that avoid the use of pesticides). Beyond that, fair trade requires the establishment of long-term direct trading partnerships between distributors and small-scale local producers in democratically organized cooperatives (Nicholls and Opal 2005: 7; Waridel 2002: 65; Raynolds 2000: 300; James 2002: 221-222).

Faith in the self-regulating market is viewed as an inadequate response to the needs of communities. Indeed, the fair trade model challenges the normal process of commodity exchange by drawing attention to the social conditions and relations of production. The visibility of these relationships is, indeed, necessary for the viability of the fair trade model. An extra cost for fair trade products is typically involved in maintaining minimum prices, and this cost is principally borne by consumers who, seeing obvious unfairness in dominant economic relationships, choose fair trade products for ethical reasons (Nicholls and Opal 2005: 186-190; Fridell 2007: 263-287).

manufactured goods, a tendency analyzed by Prebisch in terms of “disparities between exports and imports” (1959: 253) and by Amin in terms of “unequal development” (1976).

2. Fair Trade: Re-embedding the Economy in Society?

The fair trade model requires an adequate pricing of commodities. The purpose, however, is not simply to achieve better prices through market exchange, but also to help maintain communities and the well being of community members. Although the fair trade model is part of the process of commodity exchange, it also tends to challenge key features of such exchange. This aspect of fair trade draws our attention, as Laura Raynolds has suggested, both to Marx's critique of commodity fetishism and to Polanyi's account of the detachment—the disembedding—of economic life from society.

Under capitalism, according to Marx, workers are exploited—like slaves under slavery and serfs under serfdom—because the capitalist does not pay for all the labour power that goes into producing commodities. However, there is a major difference in the case of capitalism. Here labour power itself is a commodity, bought and sold in the market, so the process of free exchange disguises the fact of unpaid labour (Marx 1898: 210-213; 1867: 357-358). For Marx, however, this feature of capitalism is part of a larger pattern of commodity fetishism, which disguises the social relationships of the labour process that produces commodities. A commodity, according to Marx, is

a mysterious thing, simply because in it the social character of men's labour appears to them as an objective character stamped upon the product of that labour; because the relation of the producers to the sum total of their own labour is presented to them as a social relation, existing not between themselves, but between the products of their labour (Marx, 1867: 320).

Indeed, fair trade has been described as an effort to counter commodity fetishism by making “the relations of production... a visible part of the commodity” (Hudson and Hudson 2003: 414). Fair trade counters a focus on commodities as something

independent of the labour that, as in the case of bananas, goes into growing the plants, harvesting the bunches, packaging the bunches into boxes, and so on. According to Taylor et al., “fair trade makes visible links between Southern producers and Northern consumers that conventional markets render invisible” (2005: 199). Thus, the fair trade model focuses attention on the social relations of labour that go into producing a commodity.

In her analysis of fair trade, Raynolds refers explicitly to Marx’s critique of “abstract capitalist relations” (2000: 298) and follows Polanyi in focusing on the need to “re-embed production in natural and social processes” (306). Fair trade’s emphasis on the need to build new networks and direct North-South ties, Raynolds argues, offers a way to counter the abstraction of commodities from their social origins (2000: 306). According to Polanyi, the economy had been “submerged” in the relations of society prior to the ascendance of economic liberalism in the early 19th century. However, there came a reversal in which society “was submerged in the economic system” (1947: 65). The economy became “disembedded...from the rest of society” (Polanyi 1957a: 81). The self-regulating market operated distinct from society in such a way that sustaining a community was no longer the rationale for economic activity. Instead economic laws reconstructed social relations for the purpose of increased commodity production. The fair trade model, Raynolds argues, tends “to re-embed production” in social relations (2000: 306).

Before considering the implications of this claim, we need to ask how the “market mentality” emerged and how it was justified. Here Polanyi’s insights will be useful to see not only how Smith helped give shape to the market mentality, but also how that

mentality emerged from an earlier debate. Polanyi describes the way Aristotle sought to subordinate economic life to the ends of community, an approach continued by Aquinas in his development of the concept of the just price. The emphasis in fair trade on sustaining communities and focusing on the social context of production and exchange recalls this pre-modern economic tradition.

3. Aristotle and Aquinas: Natural Exchange and the Just Price

The concept of fair trade bears a relationship to longstanding debates in Political Economy over the “just price”. Criticizing fair trade, economists Maseland and De Vaal have in fact noted that the idea of fair trade resembles notions of “a morally just price” that had to be abandoned if capitalism was to advance (2002: 252n).⁷ The concept of the just price developed out of the works of Aristotle and Aquinas and would come to influence Smith’s rationale for the free market.

The debate over the just price emerges from Aristotle’s discussions about justice and exchange in *Nicomachean Ethics* and his discussions about natural accumulation in *The Politics*. According to Polanyi, the two main components of Aristotle’s economics are “the nature of the economy and the issues of commercial trade and just price” (1957a: 79). The nature of the economy is brought out in Aristotle’s discussion about the “natural” and “unnatural” forms of the “art of acquisition” in *The Politics*. Economic activity for unlimited gain is, according to Aristotle, unnatural while buying and selling for the maintenance of the polis⁸ is natural (Heilbroner 1996: 7). Aristotle distinguishes

⁷ During the rise of industrial capitalism in 18th century England peasants would challenge market prices by engaging in food riots with the aim of making prices for food conform to a fair or just price (Fridell 2007: 283-284; Walton and Seddon 1994: 25-32). E.P. Thompson presents these food riots as an expression of “old moral economy of provision” (Thompson quoted in Fridell 2007: 84).

⁸ The Greek city-state, or polis, had a strong community orientation, as suggested by Polanyi’s references to Aristotle’s “polis” in terms of “community” (below) to indicate its embedded, interdependent character. Actual communities, of course, are not necessarily democratic, and the polis in particular was based on

between two forms of the “art of acquisition”, referring to the “natural” form or “art of household management” (1256b: 40)⁹ as distinct from “retail trade”, which “is not naturally a part of the art of acquisition” (1257a: 29, 4). In order to understand this distinction, it is necessary to realize that a household, for Aristotle, provides the basic necessities of daily life (1252b: 5) and is part of the larger whole, the polis (1253b: 27). For Aristotle, the polis is natural and human beings naturally live in a community with others in order to maintain self-sufficiency. He maintains that “the polis exists by nature and that it is prior to the individual.... Not being self-sufficient when they are isolated, all individuals are so many parts all equally depending on the whole...” (1253a: 14). In the context of the polis, the natural art of acquisition refers to exchange for maintaining the “sufficiency” of the community, providing “the resources needed” for “subsistence”, whereas the unnatural art of acquisition refers to trade for the sake of accumulating profit (1257a: 6-1258a: 18).

The major difference between the natural and unnatural arts of acquisition is that the former is concerned with need and thus has limits, while the latter is concerned with accumulating profits and has no limits. Unlimited wealth for Aristotle is unnatural and “unnecessary” (1258a: 18). According to Polanyi, Aristotle argues against the conception that humans desire unlimited wealth because, for Aristotle, wealth is that which is necessary to “sustain life” in “the community” (1957a: 97). There are thus limitations to human needs. This notion of limits, however, has a larger implication in Aristotle’s work since the polis is to maintain justice and order, guiding the pursuit of the

patriarchy and slavery. See William James Booth for a discussion of how “embedded” in ancient Greek society actually refers to a rigid hierarchal structure with people occupying their “proper ... status” in society (1994: 660-661).

“good life”. Desire to accumulate would thus point to a misconception of the good life (Polanyi 1957a: 98). The good life for humans is a life that, in accordance with virtue, achieves a mean between excess and deficiency and thus serves to maintain justice in the polis. Aristotle’s notion of a mean between excess and deficiency is relevant to the concept of the just price. In the *Nicomachean Ethics*, Aristotle maintains that for prices to conform with justice, the “unjust act” must be avoided: “to have too little is to be unjustly treated; to have too much is to act unjustly” (1134a: 12). An unlimited drive to accumulate wealth is excessive, a drive to gain “too much”, in contrast to the limited needs of a self-sufficient community.

Polanyi argues that “community, self-sufficiency, and justice” are central to Aristotle’s economic thought (1957a: 97). Natural exchange provides for the needs of the community or polis in accordance with justice. The polis helps humans to achieve the good life, and acquisition for its own sake is contrary to that end. In the Middle Ages, Aquinas sought to adapt Aristotle’s economic thought to Christian theology. The unlimited accumulation of wealth becomes a matter of sin as Aquinas attempts to grapple with the problem of self-interest inherent in seeking profit. Drawing on Aristotle, Aquinas maintains that “buying and selling” were “for the common advantage of both parties” (1966: 144) and acting “contrary to virtue” breaks “the divine law” (145). Here, Aquinas develops the term “just price” to show that one can morally pursue material wealth to provide for one’s sustenance; however, prices must be just so that everyone in the community can secure a “fair income” (Stabile 1997: 294). Although Aquinas’ concept of the just price involves the market price as established through negotiation, the

⁹ All references to Aristotle, in both *The Politics* and *Nicomachean Ethics* use the standardized form of citation.

just price must be also based on the estimate of the community, not simply bartering between two parties. Negotiating prices involved taking into account what the other party would consider a fair price, and if the price reached was considered unjust, community members such as “church leaders and public officials could intervene to ensure wages and prices were just” (Stabile 1997: 295). Thus, through an incorporation of Aristotle into Christianity, Aquinas pointed to the moral problems of profit and introduced the just price as a way to make the accumulation of limited wealth conform to divine natural law. Polanyi likens Aristotle and Aquinas’ influence on the “medieval city economy” to that of Smith and Ricardo’s influence on 19th century economics (1957a: 78), which displaced the legitimacy of the just price in favor of a self-regulating market system.

4. Adam Smith: The Self-Regulating Market

Although Adam Smith is often regarded today simply as a founder of economic liberalism, he emerged as a moral philosopher, responding to the tradition of Aristotle and Aquinas. Indeed, Smith’s teacher, moral philosopher Francis Hutcheson, taught him the political economy of Aristotle and Aquinas (Zúñiga 1997: 2; Stabile 1997: 296-297). Smith was similarly concerned with the moral implications of unrestrained accumulation of wealth. Despite his reservations, however, he comes to endorse the drive for accumulation as the central motive in a self-regulating market that, distinct from society, operates according to its own “natural” economic laws. This appeal to a natural and beneficial free market is Smith’s solution to ethical problems that had previously been addressed in terms of the just price.

Before *The Wealth of Nations*, Smith wrote *The Theory of Moral Sentiments*.

The latter work in fact anticipates *The Wealth of Nations* in the sense that it grapples with different human sentiments—particularly pity, on the one hand, and the drive for the accumulation of wealth, on the other. In Smith’s earlier work on moral problems, his approach considers the connections between social and economic issues. Richard F. Teichgraeber III (1986) discusses Smith’s moral and economic work in terms of his ties with the Scottish Moralists, specifically Francis Hutcheson and David Hume. According to Teichgraeber, Hutcheson taught Smith “to see ethics, politics, and trade and finance as issues that should be drawn together into one internally coherent system of thought” (1986: 126). Like Hutcheson and Hume, Smith maintained that in moral judgments, humans are moved by different sentiments (Teichgraeber 1986: 134). Rather than our being guided simply by self-interest, passions such as pity overcome us in particular situations (Smith 1759: 3). Our passions are excited by the experiences of others, and we can feel pity for them without actually being in their situation. Smith’s problem here is to demonstrate how humans can have such compassion while turning away and competing with them in the individual accumulation of wealth (Heilbroner 1996: 62).

Despite Teichgraeber’s emphasis on Smith’s account of sympathy, the way Smith understands this sentiment indicates that self-interest plays a role both in our compassion for another and in our drive to accumulate wealth. Through the use of our imagination, Smith maintains, we can “place ourselves in his situation, we conceive of ourselves enduring all the same torments...” (Smith 1759: 4). Despite Smith’s emphasis on pity (or empathy), this sentiment arises within particular situations when we make a moral judgment. Such a judgment involves self-interest since we must imagine *ourselves* in the

other's situation. One feels a "horror" at what oneself would suffer in the same place (Smith 1759: 5). Yet Smith also argues that we tend to admire "the rich and the powerful" and to "neglect" the poor (1759: 84). Consequently, "wealth and greatness" often receive the kind of "respect" that should be given "only to wisdom and virtue" (Smith 1759: 66). The value we place on wealth thus involves "the corruption of our moral sentiments" (Smith 1759: 84), but this is the very value that is the motive for the society of perfect liberty that Smith later proposes in *The Wealth of Nations* (Heilbroner 1996: 67). This clearly indicates a contradiction in Smith's thought. Nonetheless, it is a contradiction that arises precisely because Smith cannot imagine dealing with economic problems without, at the same time, addressing ethical concerns.

How is Smith, on ethical grounds, able to support the motive of accumulating wealth? Smith maintains that perfect liberty—manifested in free markets—will benefit all of society and that the drive to accumulate wealth is rooted in human nature. In *The Wealth of Nations*, Smith maintains that markets are natural, guided by the economic law of supply and demand. His naturalization of the market can be seen in his discussion of the "natural price" and the "invisible hand" of the market. Some have suggested that the natural price can be viewed as a response to the concept of the "just price" (Heilbroner 1996: 86; Routh 1975: 88). In this sense, as the just price represents the actual worth of something, the market price represents the natural value of a commodity when the supply of and effective demand for the commodity are equal in the market. Smith thus maintains that a commodity is sold at its "natural price" when "the commodity is...sold precisely for what it is worth" (1776: 79). However, when the supply of and demand for a commodity are unequal, the market price rises above or falls below the natural price

(Smith 1776: 80-81). The market price and the natural price are the same “when the quantity brought to market is just sufficient to supply effectual demand and no more” (1776: 81). The notion of the natural price is thus explained in terms of an autonomous economic law (that of supply and demand) whereas the just price had been explained in terms of maintaining the good of the community.

Market exchange and the drive to accumulate wealth are, for Smith, rooted in human nature, the famous “propensity to truck, barter, and exchange” (1776: 22). The whole economic process of a self-regulating market, being based in self-interested human nature, is part of the natural order. Thus, even if the drive to accumulate wealth corrupts our moral sentiments, it seems we must approve of it. The proper functioning of the market requires this drive, and only on its basis does the invisible hand—the natural ordering of the market—ensure the well being of society. If one pursues individual self-interest in accumulating wealth—rather than the direct promotion of the interests of all—one will be “led by an invisible hand to promote an end which was no part of his intention.... By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it” (Smith 1776: 572; cf. 1759: 264-265).

Guided by an invisible hand, the natural order of the economy promotes the interests of society, benefiting all. By way of illustration, Smith compares a hard-working peasant with an African king, maintaining that the peasant in a society of perfect liberty—that is, one of free markets—is materially better off: “the accommodation of an industrious and frugal peasant...exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages” (Smith 1776: 21). In a

free market society everyone thus benefits. Although inequality remains, even peasants' standards of living are raised. By Polanyi's account, Smith thought "that universal plenty could not help percolating down to the people" (1944: 129).

Although Smith maintains that the self-regulating market will benefit society, the market has become separate from society, operating according to its own economic laws. Smith's concept of a naturally self-regulating market mechanism became a key justification for what Polanyi describes as economic liberalism's disembedding of the economy from society. According to Polanyi, economic laws came to be conceived as "the laws of nature and consequently the laws of God" (1944: 122). Economic laws of the market were thus considered part of a natural and divine order. Replacing the appeal to the just price, this appeal to a natural and beneficial free market is Smith's solution to the ethical problems of economic activity guided strictly by individual self-interest in gaining wealth.

5. Challenging the Market Mechanism: Marx and Polanyi

Marx and Polanyi both challenge Smith's notion that the free market mechanism is natural and beneficial, thereby in different (though often similar) ways undermining his ethical position. For Marx, capitalist market relations are a product of history, and the establishment of this new economic system fundamentally alters social relations. Marx discusses the change in social relations in terms of the commodification of labour power. The system of wage labour is far from natural: "Nature does not produce on the one side owners of money or commodities, and on the other men possessing nothing but their own labour-power" (Marx 1867: 338). In Marx's view, rather, the historically established

structure of free market capitalism “must constantly result in reproducing the working man as a working man, and the capitalist as a capitalist” (1898: 210)

Polanyi also emphatically challenges Smith’s contention that the self-regulating market is natural, maintaining that in pre-modern times there was not even a name or distinct concept for the economy. Polanyi thus stresses “the difficulty of identifying the economic process under conditions where it is embedded in non-economic institutions” (1957a: 86). Here, Polanyi uses his concept of the “embedded” economy to argue that market trade and the accumulation of wealth were not central to pre-capitalist societies. William James Booth places Polanyi within a category of “moral economists”, claiming that the concept of “embedded economy” was central to their theorizing (1994: 654-655). Here, embedded means that the economy is not distinct from society, “that core aspects of the economy (division of labor, patterns of distribution, agent motivations and purposes) are so intermingled with noneconomic values and institutions as not to constitute a distinct theoretical sphere” (Booth 1994: 654). As we have seen with our discussion of the just price, economic activity had to be limited in order to contribute to the good life.

In “Aristotle Discovers the Economy”, Polanyi draws on anthropological accounts to argue that economically self-interested motives are not fixed in human nature, and in “The Economy as Instituted Process” he emphasizes that anthropologists, sociologists and historians have—in their studies of diverse cultures—found “a great variety of institutions other than markets, in which man’s livelihood was embedded” (1957a: 87-95; 1957b: 141). For instance, Polanyi draws on Bronislaw Malinowski’s work on the Trobriand Islanders to show that in several forms of gift exchange “the sole purpose of

the exchange is to draw relationships closer by strengthening ties of reciprocity” (1957a: 89-90). Polanyi also draws on Margaret Mead’s work on the Arapesh of New Guinea to show that motivations other than gain underlie their social and economic organization. He explains that, for the Arapesh, it is wrong to eat meat that was killed by oneself. Instead, men give their meat to other males in their families, demonstrating a system based on cooperation and reciprocity:

If there is meat on his smoking rack over the fire, it is either meat which was killed by another, a brother, a brother-in-law, a sister’s son, etc.—and has been given to him, in which case he and his family may eat it....for to eat one’s own kill, even though it be only a small bird, is a crime to which only the morally...deficient would stoop. (Mead quoted in Polanyi 1957a: 87)

By pointing to societies in his own time and from ancient times Polanyi attempts to show that self-interest and competition in the market are not features of a universal human nature, despite the fact that an appeal to human nature has, at least since Smith, been used to advance economic liberalism.

Against the Smithian tradition of economic liberalism, Polanyi asserts that “Aristotle was right: man is not an economic, but a social being. He does not aim at safeguarding his individual interest in the acquisition of material possessions but rather at ensuring social good will, social status, social assets” (1944: 64; cf. 1957a: 80). The ethnographic work of anthropologists helped Polanyi to show the existence of cultures which prioritized goals of community subsistence even during the rise of economic liberalism in Europe. In “Our Obsolete Market Mentality”, furthermore, he discusses “primitive economies” and suggests an objection to Smith’s naturalization of market exchange: “Neither the crude egotism, nor the apocryphal propensity to barter, truck, and

exchange, nor even the tendency to cater to one's self was in evidence" (Polanyi 1947: 65). In terms of the Smithian claim that market exchange is rooted in natural human tendencies, Polanyi argues that social groups do not typically compete for maximized profit, but instead function based on principles of cooperation that contribute to the subsistence of their communities (see also Brenner 1986: 24-26, 29).

Feminists have also pointed to motivations other than gain that underlie human relationships. Lourdes Benería, while drawing on Polanyi's framework, also challenges his lack of attention to the different historical relationships men and women have had to the market. She offers a gendered reconceptualization of Polanyi, maintaining that "the construction and growth of markets has gender dimensions and...that there is a tension between the assumptions of economic rationality associated with market behavior and the real-life experiences and desires of women and men" (2003: 64). Benería seeks not simply to criticize Polanyi but to reformulate his framework in order to strengthen it. Approving of his effort to refute the Smithian claim that market competition is rooted in human nature, she endorses his use of numerous anthropological examples of "earlier societies" based on principles of "reciprocity and redistribution" (Benería 1999: 71). While drawing attention to Polanyi's neglect of the role of unpaid labour performed mainly by women, Benería also reinforces his key claim that humans are not naturally motivated to compete in the market for individual gain. Indeed, she goes beyond Polanyi's examples of "earlier societies" to maintain that even in market societies "a large proportion of the population engages in unpaid production that is only indirectly linked to the market" (Benería 2003: 74).

Just as Polanyi focuses attention on the practices of human societies that challenge the image of rational economic man, Benería points to motivations other than self-interest that underlie much of unpaid care work. She argues that the image of the rational economic man—what she refers to as the “Davos Man”—is not a simple reflection of human nature, that humans have other significant motivations “such as altruism, empathy for others, love and compassion, the pursuit of art and beauty for their own sake, reciprocity, and care” (2003: 68; cf. Benería 1999: 65).

Although Benería’s gendered perspective on Polanyi’s is an important contribution, her treatment of his analysis does pose a potential problem. Her emphasis on different gendered motivations and her tendency to attribute caring motivations to women has the potential to fall into an essentialist position. Benería’s focus on a tendency of women to dominate care work bears a similarity to feminist care ethics, which has also been accused of essentialism. Fiona Robinson formulates the basic position of feminist care ethics as holding that “a morality of caring sees persons as interdependent rather than independent individuals” (1999: 11). Pointing to the roots of care ethics in the work of social psychologists such as Carol Gilligan and Nancy Chodorow, Robinson also seeks to overcome the criticism that care ethics promotes an essentialist position in respect to the different worldviews of men and women. She draws particular attention to Gilligan’s position, which emphasizes that the contrast between “male and female voices” is not meant to be taken as “absolute” but simply “to highlight a distinction between two modes of thought” (Gilligan quoted in Robinson 1999: 22). In a similar way, Benería confronts the potential problem of essentialism in her argument and tries to avoid it by stressing that, “engagement in nongainful activities

is not [the] exclusive domain of women, nor is market work exclusive of men” (2003: 75; cf. 1999: 70). Indeed, she does not argue that all women’s work is based on motivations of care rather than gain, but offers a feminist analysis that draws on numerous examples of how women are concentrated in care work. While stressing gender in pointing to the care work that persists outside the market, Benería thus avoids essentialism as she strengthens Polanyi’s contention that profit-maximization is not by nature the sole motivation of all humans.

Whereas people are motivated by status, honour and duty in pre-modern societies, the creation of the liberal market economy in the 19th century, according to Polanyi, required “the incentives of hunger and gain—or, more precisely, fear of going without the necessities of life, and expectation of profit” (1947: 63). Such incentives were necessary in order to motivate those without property to sell their labour in the market. Indeed, social institutions had to be put in place in order to create a free market society: “only in the presence of a system of price-making markets will exchange acts of individuals result in fluctuating prices that integrate the economy” (1957b: 151). Thus, contrary to the liberal creed, free market capitalism was not rooted in human nature.

Paradoxically, an economic creed that calls for a reduction in state intervention actually required immense intervention to put it into place (Polanyi 1944: 122, 156). The free market economy “could never have come into being merely by allowing things to take their course”, but instead, had to be “enforced by the state” (Polanyi 1944: 145). Under the “new economy”, “labour and land” were transformed “into commodities” (Polanyi 1947: 61; cf. 1944: 137). For instance, the commodification of labour was encouraged in England in the early 1830s with the abolition of the former system of the

Speenhamland Law which provided poor relief. Polanyi maintains that the New Poor Law of 1834 involved much governmental administration. Under this new system the working class was excluded from poor relief and their wages were set by the market (Polanyi 1944: 174, 144). According to Polanyi, workers were “forced to give [their] best under the threat of hunger, so that wages were regulated by the price of grain” (1944: 145).

The liberal faith in the development of the 19th century self-regulating market was premised on Smith’s argument that the free market would benefit all. However, both Marx and Polanyi have argued to the contrary that the rise of capitalism furthered social inequalities, leading to resistance movements.

For Marx, the rise of capitalism does not bring general benefit but a new system of class exploitation that creates the conditions of its own undoing, “above all, its own gravediggers” in the form of the proletariat (Marx and Engels 1992: 32). He disagrees with Smith’s belief that capitalism will benefit workers, rejecting the proposition “that the accelerated accumulation of capital must turn the balance in favour of the working men, by securing a growing demand for his labour” (1898: 224). The demand for labour, according to Marx, actually diminishes as capitalists improve methods of production with the creation of new machinery (Marx 1867: 428). Less labour power is required for production and consequently there is a larger availability of labourers, a “reserve army” of the unemployed (Marx 1867: 428-429). For Marx, of course, the exploitation of the proletariat would be ended not by increasing wages, but by the abolition of “the wages system” (1898: 226) through revolution. Contrary to the liberal view that free trade would benefit society as a whole, Marx argued that the capitalist mode of production was

a necessary stage of historical development that would increase class antagonisms and eventually lead to its own destruction.

While Polanyi also points to the negative consequences of economic liberalism, he does not consider class interests the sole basis for explaining social movements (1944: 159). Instead, he argues that society resists the disembedding of the economy with a “countermovement” to subordinate the economy to social needs through regulation (1944: 147). Here, Polanyi’s conceptual “distinction between the embedded and disembedded condition of the economy in relation to society” is important for understanding his argument that economic liberalism leads to social misery that provokes social resistance and a countermovement.

6. The Disembedded Economy and the Countermovement

Polanyi argues that, before the early 19th century rise of economic liberalism, the economy was “submerged” (1947: 65) or “embedded” (1957a: 81) in social relations. However, there came a dramatic change when the relationship was reversed and the economy was “disembedded” from society (1957a: 81). The change that Polanyi is referring to in the case of 19th century England is the rise of the self-regulating market and the processes of disembedding that it caused. As we have seen, the system of poor relief was restructured in order to create a ready labour market based on the economic laws of supply and demand. However, the establishment of economic liberalism involved a “magnitude of...sufferings that had to be inflicted on innocent persons” (Polanyi 1944: 141). Of course such suffering runs counter to the Smithian ideal of the benefits of the free market. Indeed, according to Polanyi, for Smith “it was impossible that society should get wealthier and wealthier and the people poorer and poorer” (1944:

129). The disembedding of the economy in 19th century England was met by a countermovement to at least partially re-embed the economy so that society could deal directly with problems created by economic liberalism.

The “collectivist countermovement” advanced laws and standards (Polanyi 1944: 151) designed to address social problems with which “market methods were unable to cope” (160). The self-regulating market is unable to provide basic standards for labour and health. Instead, society must regulate the market so that such social needs are provided for. Polanyi explains that, in the case of England, liberalization reached its height in the 1830s and was met by a countermovement starting in the 1860s consisting partly of a wide variety of basic regulations for working conditions, such as sanitation codes, inspection of gas works, and laws against hiring children under 12 who were not attending school (1944: 152). For Polanyi, the advancement of the self-regulating market leads to unsustainable social effects which are, in turn, met by social resistance.

The process of disembedding and re-embedding that Polanyi describes is part of his concept of “double movement”. Here, he refers to “two organizing principles in society” which help explain the basis for the double movement (1944: 138). The first is “the principle of economic liberalism” which aims “at the establishment of a self-regulating market” (1944: 138). The process of liberalization in the early 19th century can thus be explained in terms of the organizing principle of economic liberalism. Yet liberalism is met by the organizing “principle of social protection” which is at the basis of the countermovement (Polanyi 1944: 138). Although economic liberalism encourages the growth of markets and industry, it contains no principle to maintain the provision of vital social needs.

Polanyi's framework identifies faults in liberal assertions that the free market not only offers the best economic system, but is somehow part of the very nature of things. He allows us to see alternatives by pointing to pre-modern forms of social organization based on systems of reciprocity. However, before considering Polanyi's relevance in a contemporary context, it is necessary to consider some of his limitations. We have already discussed Benería's feminist critique that Polanyi did not take much account of the different relationships that men and women have historically had to the market. Yet this critique can be seen as actually serving to reinforce his overall argument that free markets are not simply a progression based in human nature. Other critiques of Polanyi tend to focus on his portrayal of pre-modern societies and his description of the countermovement. We will consider some of these criticisms in turn and will also show that, although they may be warranted and may point to potential problems in Polanyi's framework, they do not disallow its continuing relevance. Indeed, by pointing to some difficulties and trying to partially resolve them, we identify Polanyi's strengths in a contemporary context.

Perhaps the most significant criticism of Polanyi—at least in terms of this thesis—has to do with his portrayal of pre-modern societies and colonial peoples. Polanyi wrote in the context of the discourse of modernity, in which development is viewed as a linear path, and non-capitalist societies are viewed as backward compared to the advanced industrial societies in Europe and North America. Indeed, Polanyi's terminology—including words such as “primitive”, “natives”, “tribal”, “archaic”—indicate that he employs a language of modern presumptions in order to describe pre-modern cultures. For instance, he tends to portray a romantic view of pre-modern or

“non-market economies” and makes generalizations that the economies of such societies are embedded and that their systems are based primarily on “reciprocity and redistribution” (1957b: 153). Indeed, Booth maintains that moral economists—such as Polanyi—tend to portray the “embedded economy” with “a certain romanticism” (1994: 661). Although Polanyi distinguishes between primitive societies (non-market economies) and archaic societies (ancient societies such as Greece and Rome), he also tends to make universal claims. For instance, he refers to “the universal banning of transactions of a gainful nature in regard to food and foodstuffs in primitive and archaic society” (1957b: 155).

Despite certain questionable representations of pre-modern societies, Polanyi does distance himself from elements of modern discourse while basing his generalizations on substantial ethnographic work. He does not argue that industrial capitalism is the highest stage of development in a linear conception of historical progress. In fact he explicitly states, in the context of his discussions of forms of economic organization in primitive and archaic societies, that, “forms of integration do not represent ‘stages of development’. No sequence in time is implied” (1957b: 156). Polanyi seems to distance himself from portrayals of non-European cultures as backwards. For instance, he starts a sentence with the explicitly qualified phrase, “So-called savage society”, and he finishes the sentence by explaining that in such societies land and labour are incorporated into the economy through kinship ties (Polanyi 1957b: 155). This sentence shows that Polanyi is mocking the notion that non-European cultures are savages. In a discussion of Polanyi’s work, his daughter, Kari Polanyi-Levitt, argues that his approach was based on comparative analysis and made “no suggestion of progress nor any implication that

modern societies are more advanced or more developed than those of the past” (2004: 4).

Polanyi also says that, “it is the absence of the threat of individual starvation which makes primitive society, in a sense, more humane than market economy” (1944: 172).

Karl Polanyi’s work, while drawing general conclusions about non-market economies, bases such conclusions on numerous anthropological and historical accounts in order to challenge the dominant liberal notion that the free market economy was the most advanced and natural form of economic organization. Naeem Inayatullah and David Blaney in fact argue, contrary to critiques of Polanyi, that he does not fall into the trap of romanticizing cultures of the past and presenting them as homogenous. They maintain that Polanyi emphasized cultural difference by using a comparative method “enriched by critical resources from cultural others, without falling into nostalgia for an unreclaimable past” (Inayatullah and Blaney 1999: 314). Hence, although it is necessary to consider the extent to which Polanyi may be romanticizing cultures of the past, his generalizations are based on numerous ethnographic and historical accounts in a way that challenges the dominant economic order.

Another critique of Polanyi—related to the first—involves his portrayal of colonized peoples in that he tends to underestimate the potential of the colonized to resist the self-regulating world market. Michael Burawoy argues that Polanyi portrays colonies as passive victims “where society is defenseless against the market” (2003: 222). Indeed, here we should qualify Polanyi’s representation of colonized people since it would seem at times to underestimate their agency and capability to resist in a countermovement. In the following statement, for instance, Polanyi represents the colonized as passive victims: “The natives are forced to make a living by selling their labour. To this end their

traditional institutions must be destroyed” (Polanyi 1944: 171 cf. 192). In order to adapt Polanyi and use his framework to consider whether there is an emerging countermovement, we need to challenge this representation of former colonized peoples. In that regard, the next chapter will consider the case study of St. Vincent and the Windward Islands, former British colonies which are actively resisting the liberalization of their banana economies.

Other criticisms of Polanyi tend to focus on his representation of the countermovement¹⁰ as arising within an established capitalist economy that it seeks to regulate rather than overturn. Indeed, Michael Burawoy has criticized Polanyi’s description of the “spontaneous countermovement”, arguing that Polanyi’s understanding of the countermovement as the defence of “the general interests of society” underestimates the significance of class antagonisms (228-229). Although Marxists would support such a critique, Elizabeth Friesen suggests to the contrary that Polanyi’s broad understanding of society is in fact “a theoretical strength” since he is “more inclusive of the enormous range of interaction which form society” (24). For Polanyi, class is important in relation to the larger society. The success or failure of the countermovement—of social change—has to do with class interests and their relation to wider social interests (Polanyi 1944: 159-163). The countermovement, for Polanyi, took “a great variety of forms” and responded “to the broad range of the vital social interests

¹⁰ Polanyi has also been criticized for a purported “technological determinism”. Bernard Mitchell makes this argument explicit, stating that Polanyi exhibits “a technological determinism” in his effort “to explain social change as a consequence of changes in production technology” (1997: 81). This criticism does not seem completely warranted since Polanyi goes to great lengths to make the argument that economic liberalism was put into place by state actions. Indeed, Helleiner also emphasizes this point in his use of Polanyi’s framework to consider financial globalization. According to Helleiner, “from a Polanyian perspective, the contemporary financial globalization trend has resulted not just from technological and market developments, but also from active political choices and state decisions to liberalize existing capital controls” (1995: 154).

affected by the expanding market mechanism” (1944: 151). Thus, although the countermovement strives to regulate economic liberalism to provide for social needs, it works within capitalist structures, and to that extent, perhaps undermines the role that class might play in a more transformative movement. Nonetheless, Polanyi’s description of the countermovement is useful for a contemporary analysis of the global justice movement. Such contemporary movements involve radical and more reform based initiatives, taking on a variety of forms and involving diverse groups of people throughout the world.

The next section will draw on Polanyi’s framework to consider whether a contemporary countermovement is emerging and what relationship fair trade initiatives might have to it. Although we have identified some potential limitations in Polanyi’s work, we can adapt his framework by drawing out his significant strengths. Here, we will accept Polanyi’s tenets that the liberal free market is not simply a natural progression based in human nature, that it causes economic disembedding and human suffering, and that such suffering provokes the response of a countermovement. By challenging the Smithian ideal of the self-regulating market, Polanyi helps us to challenge the neoliberal claim that there is no alternative to economic liberalism.

7. Polanyi in a Contemporary Context

A Polanyian approach can be taken to consider trends toward neoliberal globalization since the 1970s, particularly the deregulation of national markets for the freer movement of capital in an integrated global market. Such an approach would first point to the creation of the neoliberal market, and second, to the countermovement that emerges to reduce the social suffering produced under the free market. Indeed, several

authors have used Polanyi's framework of the double movement to consider the contemporary global economic order (e.g. Helleiner 1995; Burawoy 2003: 240; Best 2003; Benería 1999: 61, 2003: 69; Friesen 2000; Bernard 1997: 85; Polanyi Levitt 2004: 5).

The contemporary neoliberal order marks a break with the postwar Bretton Woods system of regulated capitalism. Helleiner, indeed, suggests that the Bretton Woods conference in 1944 can be viewed as the height of a long Polanyian countermovement against the liberal economies of the 19th century (1995: 151). Several scholars writing on the current relevance of Polanyi's framework draw on John Ruggie's concept of "embedded liberalism" to describe this postwar system (Best 2003: 365-366; Helleiner 1995: 151; Friesen 2000: 18-19). According to Ruggie, embedded liberalism prioritized "domestic intervention" and thus was "unlike the liberalism of the gold standard and free trade" (1982: 393). Although Bretton Woods was based on liberal principles of open economies, the liberalism of this international economic system was also regulated—partially embedded—through the use of capital controls designed to meet social needs. In the context of her discussion of Ruggie, Best maintains that the Bretton Woods regulated system had an "underlying social purpose" (2003: 365). Such capital controls enabled countries to initiate macroeconomic social welfare regimes by giving states a great deal of independence over their domestic economies and by discouraging capital flight (Helleiner 1995: 152).

The postwar period of regulated international markets came to an end in the early 1970s when the US withdrew from the gold standard, signaling the beginning of floating exchange rates. This shift away from the regulated Bretton Woods system of "embedded

liberalism” has meant the emergence of another process of disembedding. For Polanyi, as we have seen, liberal markets did not naturally emerge in the 19th century, but were instead constructed through state actions. Indeed, neoliberal trends in the 1980s and 1990s were actively promoted by states. Helleiner points to state actions such as the removal of capital controls by OECD countries, led by the US and the UK (1995: 152). Such powerful states also encouraged the deregulation and privatization of their own economies—as in the cases of Thatcher in Britain, Reagan in the US, and Mulroney in Canada—as well as the advancement of neoliberal initiatives among weaker, debtor countries in the form of International Monetary Fund (IMF) and World Bank structural adjustment programs and loans (SAPs and SALs). Structural adjustment required actions such as deregulating national currencies, privatizing state enterprises, dismantling social welfare services, and liberalizing trade to attract foreign investment. In a manner similar to what Polanyi described as creation of the liberal market in the 19th century, the contemporary period of neoliberalism has been constructed through state actions.

The spread of the neoliberal economic agenda has been often referred to as the “Washington Consensus”, a phrase that emphasizes the leading role of the US in the development policies of the IMF and World Bank throughout the 1980s and 90s. As we have seen, proponents argue that neoliberalism is the best and only way for countries to develop and produce wealth. Many critics of the consensus point to the negative consequences of neoliberal policies, which have encouraged TNCs to move production to take advantage of the oversupply of “cheapened labour” (Enloe 2004: 60) in developing countries, have eliminated public services in areas such as health and water, and have increased forms of large-scale production that typically involve environmental problems.

Such neoliberal policies, according to William Finnegan, have devastated national infrastructures and have put downward pressure on labour standards through the opening of Export-Processing-Zones (2003: 47). Kari Polanyi Levitt argues that it had become clear by the end of the 1990s “that the neo-liberal policies had failed to produce economic growth with stability and had greatly widened disparities of income” (2004: 10). She adds that hundreds of SAPs were implemented in Sub-Saharan Africa, and that as a result, “living standards have fallen, wars have ravaged the continent and HIV/AIDS has decimated the population” (Polanyi Levitt 2004: 10). Neoliberal development policies advanced by the IMF and World Bank, assuming the free market to be an adequate means of poverty alleviation, promote conventional market projects at the expense of cooperative subsistence projects to sustain communities.

Despite the claim that that neoliberal policies promote the best economic system, one that will benefit everyone, the policies have instead inflicted a scale of human suffering—as well as environmental degradation—greater than what Polanyi described in the case of 19th century Britain. As we have noted, a Polanyian interpretation of the contemporary economic order first points to the creation of neoliberal markets and then points to the ensuing social reaction, or countermovement, to re-embed economic relations in order to meet social needs. Tendencies of such an emerging countermovement are evident in contemporary movements for global justice, which take a multitude of forms, from subsistence farming to large-scale protests to initiatives seeking to restructure global trade.

Current struggles for global justice appear to constitute a Polanyian countermovement. However, we cannot know how these struggles will develop, what

shape they will take, or whether they will actually succeed in restructuring global trade. Still, we can at least draw on Best's suggestion and focus on "potential" rather than claiming inevitability (2003: 381n). Perhaps the shape of an emerging countermovement will not be clear until it has more fully formed. Nonetheless, several authors who point to a contemporary Polanyian countermovement refer to various elements that could be classified as part of the global justice movement. Benería indicates that the current countermovement involves the emergence of international demonstrations against neoliberal globalization "from Seattle to Québec to Genoa" (2003: 73). Helleiner suggests some emerging "countermovements", including transnational initiatives for a Tobin Tax as well as more local initiatives for alternative local currencies (1995: 157-159). Best similarly points to calls for greater capital controls—such as a Tobin Tax—as efforts "of genuinely re-embedding liberalism" (2003: 376-377). Similarly, Friesen suggests that initiatives for a Tobin Tax, movements to drop Third World debt (e.g. Jubilee 2000), and public demonstration are examples of contemporary countermovements. Mitchell Bernard adds that grassroots movements such as systems of local currencies and cooperative production for local consumption are examples of movements that advance Polanyi's concept of "social protection" (1997: 88-89).

Movements that seek to bypass market capitalism or to regulate the current form of neoliberal capitalism reject the tenet that neoliberalism is the best form of economic and social organization. Resistance movements throughout the world also challenge the neoliberal assertion that this form is inevitable. A crucial part of such resistance maintains that there are viable alternatives to the prevailing structure of trade. The fair trade certification system, in particular, offers a clear example of an alternative to

deregulated capitalism which, while working within the capitalist structure, prioritizes the satisfaction of the needs of producer communities above individual capital accumulation and reliance upon automatic market mechanisms.

Initiatives for fair trade are clearly connected to contemporary struggles for global justice. These struggles advance the very concept of *fair* trade, at times, as an explicit challenge to the contemporary economic order, as for example with Oxfam's popular campaign to "Make Trade Fair". As we have discussed above, fair trade as a concept challenges the liberal assertion that free trade is fair. Indeed, the fair trade certification system resists the logic of unrestricted capitalism by offering a model of trade that subordinates economic laws of supply and demand to minimum prices while also advancing social and ecological standards that prioritize the needs of producer communities. Fair trade can thus be related to other initiatives that seek to regulate, restrict, or bypass the free market.

8. Fair Trade's Alternative Logic

As with the Polanyian countermovement, the standards of fair trade follow a logic of re-embedding, of subordinating economic processes not to the "laws" of the market, but to the needs of communities. Such re-embedding includes standards (as advanced in the past decade by FLO) such as minimum prices with separate social premiums to be spent on community-chosen development projects, democratically organized cooperatives and plantations, direct trade with producers to eliminate "middlemen", long-term trading commitments, adherence to the labour protection standards of the International Labor Organization, and environmentally sensitive production methods that reduce and prohibit the use of various pesticides (Nicholls and Opal 2005: 6-7, 48;

Waridel 2002: 65; Raynolds 2000: 300). Fair trade thus opposes the logic of capitalist competition and profit maximization, proposing an alternative logic that orients trade toward meeting the vital needs of producer communities. Despite fair trade's role within the capitalist market structure, according to Gavin Fridell, "the principles of fair trade pose a significant challenge to the logic of the market and the culture of capitalism" (2003: 3; see also Taylor 2005: 136).

In suggesting that fair trade opposes the logic of unrestricted capitalism and promotes an alternative logic, I am drawing upon Arturo Escobar's conception of "the novel logic of anti-globalisation social movements" (2004: 221). Escobar points to self-organizing local movements for popular autonomy that move beyond the capitalist logic of modernity and thus "entail the negation of the globalization project" (2004: 221-222). Escobar is here referring to radical elements in the "anti-globalization" movement that call for a transformation of capitalist structures of organization. Here he explicitly stresses the limits of a Polanyian countermovement that, by seeking simply to subordinate or regulate markets, works within the market structure (Escobar 2004: 221).¹¹ Although Escobar recognizes that the anti-globalization movement is diverse, he tends to reduce it to its radical elements and to dismiss the potential of other efforts to contribute to alternative logics.

For Escobar, it would seem, fair trade and other initiatives to reform unrestricted capitalism do not—unlike many movements for local autonomy—fully offer a "different

¹¹ Indeed, Polanyi's countermovement does not transcend capitalism but instead seeks to regulate it. Bernard suggests, in this vein, that Polanyi's notion that the countermovement re-embeds the economy in social relations is not fully possible since this would imply a return to pre-capitalist conditions in which the market is not "the dominant institution of society" (86). Bernard thus maintains that the countermovement regulates the capitalist system and that Ruggie's concept of "embedded liberalism" better describes the change since it "accepts market society as a given" (86).

logic” than capitalism. Indeed, fair trade may well *appear* to neatly fit into the framework of a market-based reform that, by seeking simply to correct particular failures of the free market system, serves only to maintain the Smithian ideal. For instance, Nicholls and Opal explicitly argue, in defence of fair trade, that it is an attempt at “correcting market failures” (2005: 12). The case of these authors offers a clear example of how proponents of fair trade can call for a restructuring of trade without considering flaws in the very ideal of free trade. However, neoliberal critics of fair trade certainly do not consider it part of the market model. For instance, Brink Lindsey, writing for the Adam Smith Institute, offers a critique of fair trade, suggesting that more “constructive” solutions to the coffee crisis “consist of efforts to improve the market’s performance—not block it or demonize it” (2004: 2). Fair trade is not clearly part of free market capitalism, but occupies a more ambivalent position.

Fair trade can fit with a model of reform, but this does not rule out the possibility that fair trade might reveal a radical potential if viewed in the context of the global justice movement. Although the radical camp may often seek to reduce fair trade to a price scheme that perpetuates global inequities (Starr and Adams 2003: 23), Mark Rupert has challenged what he calls a “phobia of reformism” (2004: 129). He contends that rejecting initiatives like fair trade as “just another form of consumerism” underestimates how apparently modest changes in “social relations can create a dynamic of social empowerment...leading toward rather than away from social transformation” (Rupert 2004: 129). By opposing the logic of unrestricted capitalism, by encouraging different economic practices in producer communities, and by fostering changes in the way people view the production of at least certain commodities, fair trade appears to advance

tendencies that, if linked to complementary projects in the global justice movement, spell a radical potential.

Chapter 2

Fair Trade in Practice:

The Case of Banana Production in the Windward Islands

The radical potential of fair trade at a theoretical level raises the question of how fair trade works in practice. Do the mechanisms and standards of fair trade actually contribute toward tendencies to re-embed economic relations in a way that provides for the needs of producer communities? As a concept, fair trade opposes liberal assertions that economic liberalism will benefit everyone and that it is the only viable economic model. The very existence of an alternative model of trade—evident in the fair trade system—challenges such liberal assertions. However, if fair trade standards are not actually being met to a large degree in practice, then the system would certainly not present much of an alternative. In order to consider the extent to which fair trade is meeting its own standards, we now turn to a discussion of fair trade in practice, focusing particularly on banana production in the Windward Islands.

Banana production involves a history based in colonialism and the dominance of a few companies that control the majority of the banana trade. The Caribbean started producing bananas for export in the early 20th century following the decline of the sugar industries. Jamaica was the first country in the Caribbean to export bananas to the United Kingdom, followed by the Windward Island countries of Dominica, St. Lucia, St. Vincent and Grenada. The emergence of these countries as significant producers of bananas for the UK developed in the context of colonialism since these countries were colonies of Britain until the latter half of the 20th century. St. Vincent and St. Lucia were the last of the Windward Islands to gain formal independence, which came in 1979.

Indeed, the historical emergence of bananas in the Caribbean and the decline of its sugar production arose from a colonial system of agricultural production that had depended on large-scale monocultural production and slave labour.

Despite recent declines in banana production in the Windward Islands, in 1998 more than 70 per cent of the population in St. Vincent alone relied on income from the banana industry (Paggi and Spreen 2003: 11; Sheller 2005: 12). According to Sheller, “The importance of the crop in these islands is understood to be a legacy of Britain’s colonial and postcolonial involvement in the region” (Sheller 2005: 12). This colonial legacy involves both Britain’s historical commitment to provide preferential market access to its colonies as well as its postcolonial commitment, as part of the larger European Community, to provide tariff-free quotas to former colonies in the African Caribbean Pacific (ACP) region. Britain and the European Union’s “banana regimes” have taken a regulated-market approach, placing tariffs and quotas on non-ACP or “dollar bananas” (bananas grown in Latin America for US owned corporations). In contrast, the United States¹² has taken a more liberal free trade approach to bananas, imposing no tariffs or quotas and in fact challenging the control of banana imports by the EU on the grounds that it contradicts the rules of free trade as promulgated by the General Agreement on Tariffs and Trade (GATT) and the WTO.

The first section of this chapter will discuss the emergence of the banana industries in the Windward Islands and explain the system of preferential market access that was implemented by Britain, particularly following the end of World War II. The regulated system of preferential access to UK banana markets for the Windward Islands

¹² Together—at 13 per cent—the EU and the US are the biggest consumers of the world’s bananas (Paggi and Spreen 2003: 9).

involves what Gordon Myers has called a “moral and political commitment” (2004: 2-3). Indeed, Martin Frazier maintains that many in the Caribbean consider preferential access for their bananas “a sort of reparations for many centuries of exploitation of Caribbean people” (1). The UK’s approach to Windward Islands banana growers has not followed the principles of the free “self-regulating market” but has instead sought to intervene in the market and influence it. The system of preferential access in particular takes account of the fact that banana production on small Caribbean farms is several times more expensive than production on large Latin American banana plantations.

The colonial and postcolonial systems of preferential access themselves exhibit characteristics of what Polanyi calls an “embedded” economy. Caribbean banana farmers have never been in a position to compete with Latin American exports, and thus the system of preferential market access involved taking account of the specific needs of the Caribbean communities. Similarly, Polanyi has argued, an embedded economy is centered on maintaining a community through direct provision for its needs. As we saw in the previous chapter, he points to the process of liberalization in 19th century Britain as an example of the establishment of a market economy that has been “disembedded” from society. A disembedded economy depends upon the operations of the self-regulating market. As we will see in the second section of this chapter, the regulated market system of Windward Islands banana exports to the UK was challenged in the 1990s and since then has undergone a process of liberalization, or disembedding in Polanyi’s terms. The Windward Islands have resisted such liberalization, however, in a way that resembles what Polanyi called a “countermovement” in the case of Britain.

The case of fair trade bananas in the Windward Islands, concentrating on St. Vincent, will be considered in order to show how banana producers are seeking ways to stay in banana production by working within a regulated alternative market that attempts to re-embed economic relations to directly serve the needs of producer communities. The final sections—which make up most of this chapter—will discuss my fieldwork in St. Vincent in November 2006 and demonstrate the overall importance of the fair trade market for banana producers in St. Vincent while noting some the current limitations of the system.

1. Colonial History of the Banana Industry in St. Vincent and the Windward Islands

Britain introduced mechanisms to encourage the export of bananas from Jamaica in the early 1900s and later, following World War II, from the Windward Islands. In the search for alternatives to sugar production, bananas became a viable option for small-scale Caribbean farmers because bananas could be produced and harvested on a year-round basis. According to Myers, Britain began promoting the Jamaican export of bananas in 1901, offering Elders & Fyffes Limited¹³ a 10 year subsidized contract to ship bananas from Jamaica (2004: 8-9). Before World War II Jamaica had become Britain's largest source of bananas, supplying 87 per cent of the total UK market (Myers 2004: 15). Indeed, Britain's colonial policies played a major role in the development of the Jamaican banana industry within a protected market. Meyers maintains that during the depression Britain shifted from its free trade focus, abandoning the Gold Standard and introducing a system of trade based on protective tariffs and preferential access for

¹³ The company Elder, Dempster & Co was given the original contract but a new company, Elders & Fyffes Limited was created to develop the trade. The United Fruit Company bought 45 per cent of Elders & Fyffes in 1902 and it became a wholly-owned subsidiary in 1914 (Myers 2004: 8-9). In 1986 Fyffes was sold by the United Fruit Company to the Irish Fruit Importers.

colonies (2004: 14). For instance, the Import Duties Bill of 1932 required a 10 per cent tariff on non-Commonwealth countries. Jamaica was thus exempt from the tariff, and banana growers were also assured a minimum price per stem (Myers 2004: 15).

During the early 20th century the Windward Islands were not serious competitors with Jamaican bananas; however, following the end of World War II the small Islands began producing significant quantities of bananas for export, cutting into the Jamaican share of the UK banana market and taking part in the regulated system of preferential access for colonies. Prior to World War II the Windward Islands had supplied a small amount of bananas for export to Canada. In 1934 Dominica, St. Lucia, and Grenada signed five-year contracts with the Canada Banana Company [owned by the United Fruit Company (UFCO)] to supply bananas for export to Montréal. St. Vincent signed a five-year contract the following year. Large-scale banana exports from the Windward Islands, however, ended in 1942 due to wartime shipping problems. The war also suspended Jamaican access to the British banana market since Britain decided to simply ship oranges—a more durable fruit—during the war.

Following World War II the Caribbean banana industry significantly changed with Britain importing reduced quantities of Jamaican bananas while also importing bananas from the Windward Islands. The banana industries in the Windward Islands emerged in the postwar period due largely to entrepreneur John van Geest's role in exporting bananas to the UK in conjunction with Britain's assistance to industry in the form of a protected market. In 1949 the British firm Antilles Products Limited first started exporting Dominican bananas to Ireland and was able later that year to enter the UK market with Dominican and St. Lucian bananas because supply was down in

Jamaica. Geest Limited took over Antilles Products Limited in 1954 and signed ten-year contracts with the Banana Growers' Associations of all four Windward Islands. In 1953 the colonial government established the St. Vincent Banana Growers' Association (SVBGA) as a statutory corporation with the mandate of facilitating the growth of the banana industry.¹⁴

In conjunction with private enterprise, the British government played a large role in the growth of Windward Islands banana industries in the 1950s. For instance, the UK offered a guaranteed market to its colonies by limiting banana imports from Latin America to a 4000 ton annual quota (Meyers 2004: 20). Farmers could also get interest-free loans to purchase uncultivated land for clearing and growing bananas. According to Peter Clegg, the UK government provided significant assistance toward the development of banana industries in the Windward Islands, "in the forms of grants and loans for items such as the importation of banana suckers, the creation of nurseries, disease control, fertilizers, and for the training of agricultural officers in methods of banana cultivation" (2000: 8). In 1956 the UK tripled its import tariff on non-Commonwealth bananas, thus strengthening the protected market for Commonwealth bananas and encouraging the growth of the industries (Myers 2004: 23). Total exports from the Windward Islands drastically increased in five years, from 6,686 tonnes in 1954 to 99,004 tonnes in 1959 (WIBDECO 2007).

The postcolonial role of the UK and the larger European Community in providing a regulated market for bananas has developed out of this earlier commitment to assist the

¹⁴ Today the SVBGA is separate from but influenced by the government and maintains similar functions, regulating the production and marketing of bananas and registering and paying farmers. The SVBGA maintains control of the banana industry under the Banana Industry Act #10 of 1978, Act #30 of 1996, and

Caribbean colonies increase their bananas exports. The UK began its system of preferential access, at least in part, because of changes in the production of sugar. Most of the islands had been dependent on large-scale sugar production, but the abolition of the slave trade and the development of sugar beet in Europe made it unprofitable to continue producing sugar in the colonies. According to Clegg, the UK's role in assisting the development of the banana industries also meant that it could eventually reduce its direct financial assistance to the colonies while also securing steady supplies of bananas (8). In addition, many suggest that the UK likely encouraged the development of Windward bananas in order to curb Elders & Fyffes' (a former subsidiary of the UFCO) monopoly over Jamaican banana exports to the UK (Anderson et al. 2003: 127; Clegg 2000: 8; Moberg 2005: 8).

Whatever the reasons that led the UK to promote the banana industries of its colonies, the system of preferential access that was established in the early 20th century lasted for most of that century, continuing even after formal independence in the Caribbean and the development of the European Community in the 1970s. The system also, however, took account of the greater cost of production in the Caribbean compared to Latin America. Whereas the large US banana firms in Latin America have benefited from cheapened labour and economies of scale, the Windward Islands farmers produce under much different conditions. In the Windward Islands, bananas are produced on small family farms that average less than one hectare (2.4 acres) and are located on hilly terrain under threat of droughts and hurricanes. Shipping costs are also particularly high since ships have to stop at multiple ports. In comparison, large Latin American farms of

Act # 36 of 2001 (SVBGA and Isaacs 1999: 62). In 1958 the Windward Islands Banana Growers' Association (WINBAN) was established to coordinate exports from the Islands.

several tens or hundreds of hectares occupy flat lands, have richer soil, and bring higher yields. Banana companies in Latin America also tend to benefit from much lower costs for agricultural inputs and transportation due to their greater economies of scale.

In a regime of open, deregulated competition with Latin American banana producers, the Windward Islands would simply have no chance of maintaining an adequate market share. To encourage their colonies to pursue monocultural production of bananas for export, Britain also had to maintain a regulated tariff-quota system giving preferential access to Caribbean producers. This colonial system of preferential access to the UK that emerged was maintained after independence under the Banana Protocols of the Lomé Agreements signed between ACP countries and the European Economic Community (later the EU). The first Lomé Agreement was signed in 1975; three others were signed after that, lasting until 2000; and the Cotonou agreement in 2000 extended Lomé preferences until 2008. These agreements guaranteed preferential access for former colonies in the form of duty free entry and other advantages for certain agricultural products such as bananas, sugar, rum and rice. The Banana Protocols guaranteed that the markets of former colonies would continue to maintain preferential access in the future (Meyers 2004: 41). Under the first Lomé Agreement the UK had to increase its previous tariff from 10 per cent to 20 per cent and had to extend the right of duty-free entry to the other member states. Latin American banana companies could not import bananas to the UK without having nationally-issued licenses and paying the 20 per cent “common external tariff” of the import value (Banana Link).

The Lomé Agreement solidified a system of preferential access for ACP bananas that had originated during the early 20th century system of preferential access for

colonies. The new Agreement for former colonies reaffirmed the British and larger European commitment to ensure that the total impoverishment of former colonies would not be caused by the failure of industries that they had established. The Agreement thus acknowledged that such trading systems had to remain regulated because the small-scale enterprises involved could not compete in a free market dominated by large producers enjoying significant economies of scale.

The British and European systems of preferential access for ACP bananas demonstrate characteristics of an embedded economy, at least to the extent that the system promoted the maintenance of producer communities through direct intervention into economic relationships. Indeed, the development of banana production in the Windward Islands has been closely linked with building infrastructure and “raising the quality of life in the islands” (Meyers 2004: 21). Since the banana industries developed out of histories of slavery and colonialism, it is evident that the economic system was not embedded in social relations and was not devoted to the needs of producers. The banana industries were facilitated by Britain to serve its own interests; however, when compared to the lower prices and the inferior working conditions of the US banana trade in Latin America, the tradition of preferential access for ACP producers clearly runs counter to the logic of the liberal free market. A clash between the regulated and free trade systems developed mainly in the 1990s with the establishment of the European Single Market and the WTO. As we will see, the system of preferential access was challenged by a process of liberalization in the 1990s that sought to fully disembed the economy, changing it into a form that was unresponsive to the needs of producer communities. This process of

liberalization has significantly undermined the livelihoods of small-scale Caribbean producers in a way that leads us to question the rules of free trade.

2. The Liberalization of the Banana Trade

The decade-long banana trade dispute between the US and the EU has drastically altered the longstanding Lomé system of preferential access and has led to a significant reduction in banana production in the Windward Islands. Paradoxically, the US complaint to the GATT and the WTO was that the EU Banana Regime gave ACP producers an unfair advantage, hindering the sales of US banana companies based in Central and South America. As we have discussed, ACP producers simply cannot compete with the big US banana corporations in Latin America. The free trade ideals espoused by the WTO are based on the Smithian ideal of the liberal self-regulating market. This ideal is that a free trade system of perfect competition brings about wealth benefiting all of society. However, the enforcement of this free trade ideal in the case of small-scale banana producers threatens to hurt them the most while further benefiting already wealthy US banana companies. The Windward Islands make up about one per cent of world trade in bananas, but more than half of the people on the islands depend on bananas for their livelihoods. Comparatively, the two largest banana companies, each holding over 25 per cent of the world market, are the US-based Dole Foods Company¹⁵ and Chiquita Brands International (Banana Link).¹⁶

The process of liberalizing the UK banana market was encouraged by the development of the Single European Market in 1992, which involved the formation of an EU Banana Regime that would exist within a more liberal free trade system but still

¹⁵ The Dole Foods Company was formerly Standard Fruit.

¹⁶ Chiquita Brands International was formerly the United Fruit Company and United Brands.

maintain the Lomé commitments of preferential access for former colonies. The new Banana Regime was based on a regulated system of quotas, tariffs and import licenses. The 12 “traditional” ACP producer countries (including the Windward Islands) were given tariff-free entry for their bananas up to a country-specific quota based on best annual exports prior to 1992. These quotas totaled 857,700 tonnes, and were based on a system of import licenses that granted authorization to importing companies. This system of preferential access also involved a two million tonne annual quota on non-ACP “dollar” bananas with a tariff of 100 euros per tonne.¹⁷ The EU Banana Regime was based in former colonial systems of preferential access for agricultural commodities, particularly Britain’s historical commitment to Caribbean producers. Indeed, Meyers suggests the new system of preferential access had a lot to do with the fact that the UK held the EU presidency in 2002 and that their Minister of Agriculture was “a deeply religious politician with a strong moral commitment to securing a fair deal for Caribbean growers” (Meyers 2004: 60).

The EU Banana Regime’s system of preferential markets—although based largely on the different costs of production of ACP compared to Latin American producers—was clearly in conflict with the GATT’s principle of non-discrimination. The rules of the regime were, indeed, designed to discriminate in favour of ACP producers so that they could maintain their banana markets. However, since “fairness” in the free trade model is dependent on unfettered competition, the EU regime could be challenged. In 1992 the EU was challenged under the GATT by five Latin American countries, and three GATT panels (1993, 1994, and 1997) found the EU in violation of trade rules. However,

¹⁷ In 1994 the quota was raised to 2.1 million tonnes and the tariff lowered to 75 euros per tonne, in accordance with the Banana Framework Agreement signed between the EU and Costa Rica, Colombia,

growing US involvement and the establishment of the WTO and its Dispute Settlement Process (DSP) in 1994 would become the biggest threat to the EU Banana Regime, and would start a rapid process of liberalizing banana markets. In September 1995 the US, Mexico, Honduras, and Guatemala launched a WTO complaint against the EU Banana Regime. Ecuador joined in the complaint when it became part of the WTO a few months later.

The US, although a large importer of bananas, does not produce bananas, and one might question why it became involved in the dispute in 1995. J.G. Stovall and D.E. Hathaway offer several reasons for US interest in the banana trade dispute, such as its history of trade disputes with the EU, the new promise of the WTO's DSP to solve trade disputes, another challenge against the EU over hormones in beef, and Carl Linder's (Chiquita's CEO) financial contributions to the Republican and Democratic parties (2003: 157-160). The WTO dispute involved three major issues of conflict over the fairness of the EU Banana Regime: tariffs, quotas, and import licenses (Josling 2003: 178-182). The WTO panel submitted its report in May 1997, largely supporting the US and Latin American complaint. The EU essentially won in terms of the issue of tariffs, since the WTO had granted a 1994 waiver to the EU based on its Lomé commitments. However, the EU seriously lost on the other two issues. In regard to quotas, the complaint was that they contravened the principle of non-discrimination outlined in Article XIII of the GATT, and the WTO panel indeed found that the EU system of allocating quotas discriminated against countries outside of the ACP and Banana Framework Agreement. On the charge that the system of import licenses unfairly

Venezuela and Nicaragua.

favoured firms that had historically imported from the Windward Islands and other former colonies, the WTO panel again ruled against the EU regime.

The 1997 WTO decision was, however, far from the end of the dispute. The EU appealed but was unsuccessful, so the EU then introduced a new Banana Regime in January 1998, removing country-specific quotas for ACP countries. However, the US and Chiquita were unsatisfied with the new regime, and the US administration offered an ultimatum that it would impose trade sanctions on certain EU goods if the EU did not fully comply with the WTO ruling by January 1999. The EU took this threat to WTO arbitration and in April the panel ruled that the EU had not implemented the WTO ruling and authorized the US to introduce import duties of 191.4 US\$ on certain EU goods. The WTO banana dispute finally came to an end in April 2001 with an agreement between the US and the EU.

In order to reach this agreement, the EU dramatically altered its Banana Regime. The regime would move to a tariff-only system by January 2006 and would follow a four-year transitional regime with preferential tariff rate quotas and licenses for ACP producers. Until 2006 the EU maintained a preferential tariff-quota system for ACP producers, but starting in March 2006 introduced the new single-tariff system, which has been extended for 2007. Under this system the EU offers a single duty-free annual quota of 775,000 tonnes for ACP countries, 81 per cent of which is determined on a “first come, first served” basis and 19 per cent of which is under licenses for operators that imported bananas from ACP countries in 2006 (European Commission 2006). Non-ACP countries, mainly from Latin America, are subject to an import tariff of 176 euros per tonne.

Brett Kraabel (2004) has considered the WTO ruling in terms of whether it will bring about the purported goal of global free trade—increased worldwide wealth. He concludes that, although the world as a whole will gain monetary benefits, such as the reduction of retail prices for bananas, there will also be negative social and environmental costs of relying more on Latin American than ACP producers. He concludes that, with such costs, there will be an overall negative impact on world wealth (Kraabel 2004: 7). In addition, he concludes that the WTO ruling will mean increased control over the world banana market by three large firms, thus further empowering their “oligopoly” (Kraabel 2004: 8).

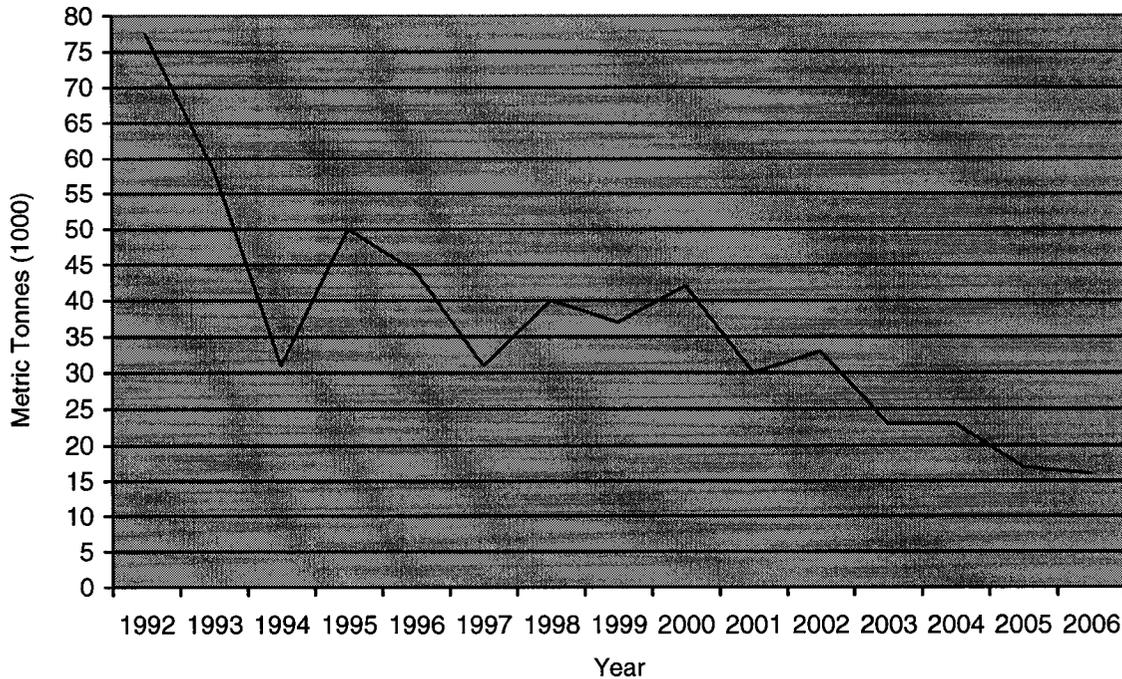
The new EU Banana Regime has dramatically altered the historical pattern of regulated preferential access for former colonies, establishing a more liberalized system—one with fewer trade regulations—that has negatively affected small-scale Caribbean banana producers. Although these producers clearly had the most to lose throughout the WTO dispute, they were not included in the dispute process (Josling 2003: 178; Oxfam GB 1998: 5). The WTO dispute has enforced the free trade ideal of the self-regulating market as the most efficient—and therefore the best—system of trade. However, as Polanyi has argued, the creation of the liberal market system in early 19th century Britain involved a great deal of social suffering (1944: 141). Although the banana trade has always been part of a world capitalist market system, the WTO dispute has led to a process of liberalization, which has further “disembedded” the economic system and made it unresponsive to the needs of producer communities.

The new regime has contributed to a mass withdrawal of Windward Islands farmers from banana production because they cannot afford to produce bananas without a

regulated market granting them preferential access. Indeed, since 1992 total annual banana exports from the Windward Islands have dropped precipitously from 274,539 tonnes to 61,267 in 2006. This 2006 Windward Islands total is less than the amount St. Vincent alone exported in 1992. Banana exports from St. Vincent have fallen from 77,361 tonnes in 1992 to only 15,761 tonnes in 2006 (WIBDECO 2007). Figure 1 illustrates the dramatic decline in St. Vincent's banana industry since the start of the GATT and WTO disputes. The particular declines in 1994, 1997, and 2001 are attributable to droughts and tropical storms as well as the WTO ruling (1997) and the final US-EU agreement that ended the banana dispute (2001).

Such dramatic changes to the banana industries of the Windward Islands are significant threats to the national economies of these islands, which are heavily dependent on agricultural exports and tourism as their main sources of GDP. Of course, such changes are also most dramatically felt by the thousands of farmers who depend on bananas as their primary source of income. The total number of banana growers in the Windward Islands has fallen from about 24,000 in the 1990s to about 5000 in 2005 (Interview with WINFA Fair Trade Manager 2006). Farmers have few alternatives to banana production, and those who have left have mainly moved into the city, found employment in the tourist industry, emigrated from their country, become unemployed, or turned to producing other crops, particularly to illegal marijuana (Meyers 2004: 150, Oxfam GB 1998: 7). Indeed, the shift to producing marijuana has become common in St. Vincent, where it is now "the mainstay for a significant part of the population" (Myers 2004: 151) bringing about thirty times more profits than bananas (Oxfam GB 1998: 7).

Figure 1: St. Vincent Banana Exports
(Source: WIBDECO)



Confronted by trade liberalization since the early 1990s, farmers in the Windward Islands have not been passive victims of the change, but have instead participated in large-scale protests and efforts to establish new alternative markets for their bananas. Indeed, just as Polanyi suggests that the self-regulating market brings about human suffering, he also points to a “self-preserving action of the community” that typically comes in response (1944: 211). Following the process of liberalization, he maintains, social forces responded by seeking to regulate the free market and subordinate the economic system to direct provision for social needs. I have argued, following the contention of others, that current movements for global justice are part of what can be called a global Polanyian countermovement. The case of the Windward Islands, indeed, provides an example of a local movement that places itself within the context of the larger countermovement. The alternative fair trade market for bananas has been

introduced in the Windward Islands as a way to allow some farmers to continue producing bananas and has, moreover, tended to re-embed the economy so as to directly serve the needs of producer communities.

3. Fair Trade Bananas in St. Vincent

The final sections of this chapter will focus on the development of fair trade bananas in St. Vincent and will consider the extent to which fair trade is contributing toward tendencies to re-embed the economy in social relations in a way that helps strengthen producer communities. This discussion is based on fieldwork I conducted in St. Vincent in November 2006, consisting of interviews with 15 participants in fair trade activities, as well as follow-up correspondence through email and telephone conversations. The purpose of this research was to gain an understanding of how fair trade works in practice and to see whether the people involved believe that fair trade is helping to better sustain communities of banana producers. As we will see, despite limitations with the system, fair trade in St. Vincent appears to have become crucial for producers. Fair trade representatives in St. Vincent estimate that fair trade bananas account for 80 per cent of the export market. Fair trade has thus helped respond to the effects of the new liberalized banana regime, offering an alternative market for those banana producers who remain. This section will explain how the research was conducted, how the fair trade system works, and what participants identified as benefits and limitations of the fair trade system. My findings will be considered in relation to other case studies on fair trade.

I visited St. Vincent for nine days in November 2006 in order to meet people there who are involved with the fair trade system and to attempt to understand the working of

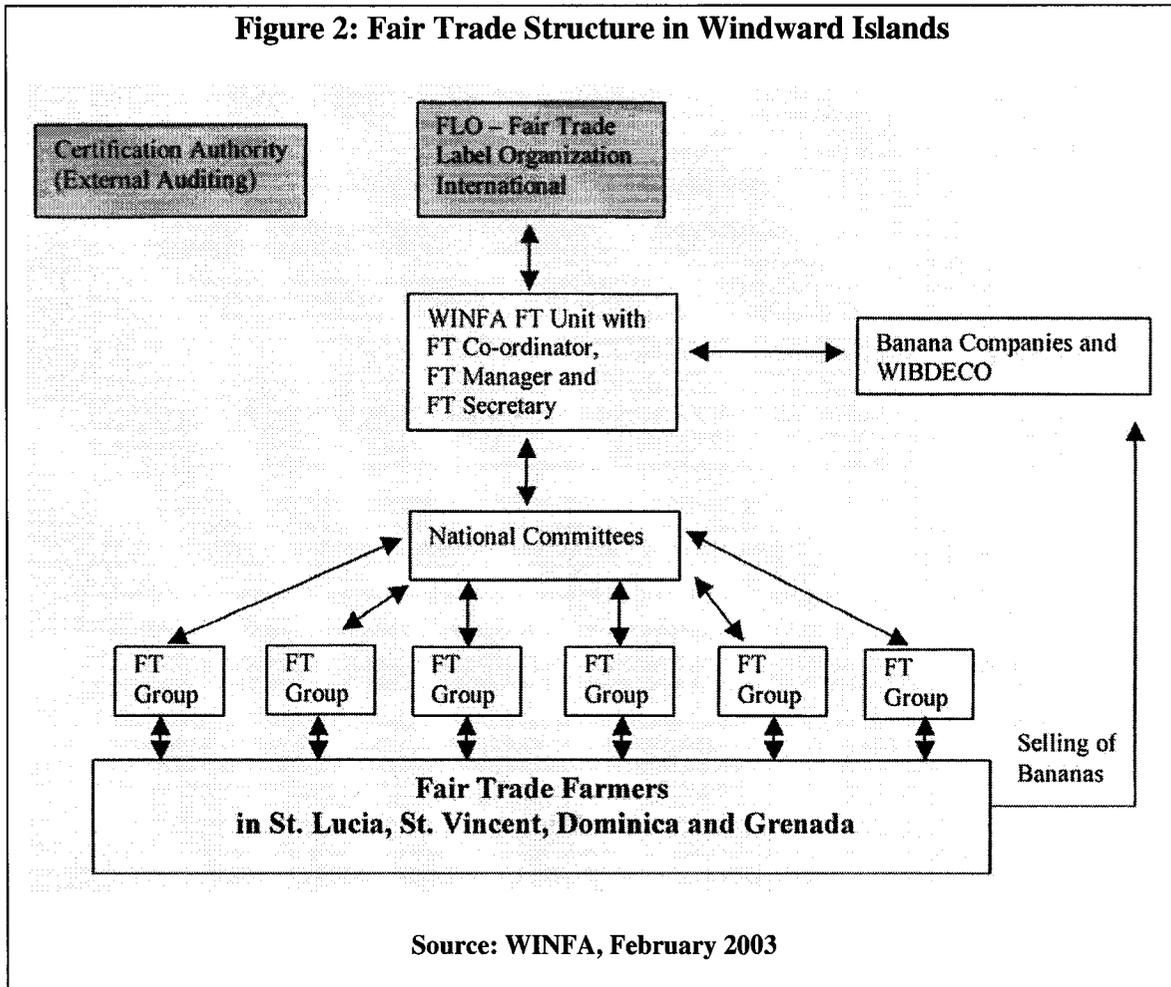
fair trade standards in practice. However, the purpose of the research was not to conduct a systematic impact study as such a project would involve much more time and resources. Nonetheless, over the time I was there I was able to speak with representatives of the organizations that coordinate fair trade in St. Vincent and to several fair trade farmers. I spoke informally with many people but conducted semi-structured interviews with six representatives of organizations and nine farmers (five men and four women). During my stay I spent several days in Kingstown, the capital of St. Vincent, interviewing the six representatives from the following organizations: the Fair Trade Labeling Organization International (FLO); the Windward Islands National Farmers' Association (WINFA); the St. Vincent Banana Growers' Association (SVBGA); and the Windward Islands Banana Development and Exporting Company (WIBDECO). My interviews with these representatives helped give me a picture of how the fair trade system operates in St. Vincent and who the key players are.

International fair trade standards are developed by FLO, which was first established in 1997 and is an association of 20 NIs such as TransFair USA, TransFair Canada and the Fairtrade Foundation (UK), which are responsible for certifying licensees to import fair trade products. FLO is an umbrella body for the national initiatives and is made up of two organizations: FLO International e.v., the international non-profit association that develops fair trade standards, and FLO-Cert GMBH, a company established in 2003. FLO-Cert is the International Certification Body for fair trade producers and traders and was established by FLO in order to act in compliance with the ISO Standards for Certification Bodies (ISO 65).

FLO has a set of Generic Standards for Small Farmers' Organizations and a separate set for Hired Labour Situations. In addition, FLO has specific standards for different products. These fair trade standards are designed to organize the trading system in a way that provides for the needs of producer communities. Such communities of small-scale producers must be part of an organization that acts through democratic procedures to promote the social and economic development of its members, adheres to the International Labour Organization's standards, and administers the use of a social premium based on community development projects decided upon by community members. There is another set of standards that requires traders to sign long-term contracts with producers for a period of at least one year and to pay the fair trade minimum price and an additional social premium per box.

The organizational structure of fair trade in St. Vincent and the Windward Islands starts, at the international level, with FLO International, which has certified WINFA as the fair producer group for the Windward Islands (see Figure 2). WINFA is a non-governmental organization made up of farmers that was formed in 1982 as a group to "represent, protect and promote the interests of thousands of farmers in the Windward Islands" (WINFA pamphlet). WINFA has fought against the WTO changes to the EU banana regime and against UK initiatives to sign a free trade agreement with Caribbean Community and Common Market (CARICOM) nations. WINFA approached FLO in the late 1990s in order to arrange the development of fair trade as way to provide an alternative market for Windward Islands bananas, and by July 2000 had facilitated the first shipments of fair trade bananas. WINFA is the certified producer organization for

all of the Windward Islands, but has its headquarters in St. Vincent with a Fair Trade Unit consisting of a Coordinator, a Manager and a Secretary.



All banana exports from the Windward Islands are shipped by WIBDECO, incorporated as a private company in 1994 with shares held by all the governments and banana growers' associations of the four islands. WIBDECO is responsible for managing the marketing, buying and transportation of Windward bananas and the payment of fair trade FOB prices to the SVBGA, which in turn, is responsible for paying farmers the fair trade farm gate price and for other operational and technical advice and monitoring. The

social premium of 1 US\$/18.14 kg box is paid directly by WIBDECO to the National Fair Trade Committees of each of the islands.

Fair trade banana farmers on each of the islands are divided into several fair trade groups, which meet each month in schools, community centers, churches, homes, etc. to discuss the challenges that they are facing as well as the use of the social premium. In St. Vincent there are 17 groups of fair trade farmers with approximately 25 to 100 registered fair trade members per group. Each group has its own set of organizational officers, consisting of a chairperson, a treasurer, a secretary and a national representative, who are elected by the group each year. With their national representatives, the fair trade groups also participate at the National Committee level. The National Committee, with officials elected as in the smaller groups, meets at least once a month to develop a work plan for the use of the social premium in the following year. The committee and group members attend an annual General Assembly, which meets to vote on the National Committee's work plan and to hear a report about the social projects undertaken in the previous year.

In addition to speaking to representatives of the groups and organizations that play significant roles in the operation of fair trade banana production, I was also able to speak directly with farmers in Kingstown. During my time in Kingstown, I met several farmers and conducted interviews at the main loading depot and at the headquarters of the National Fair Trade Committee. My main contact, the National Fair Trade Committee Chairperson and field monitor for the SVBGA, became a key informant who helped me establish connections with farmers. I spent one day with him and another field officer, visiting several farms in Georgetown and the Langley Park depot. Throughout the day we walked through the farms and met several farmers who agreed to interviews. The

interviews were conducted in private and each lasted about 5-10 minutes. I spoke with the farmers rather informally, asking them questions about how long they had produced bananas, what changes they had experienced over the years, what a typical day was like, what fair trade meant for them, and whether fair trade had, overall, made things better or worse.

My discussions with the farmers and with representatives led me to a clear conclusion that those involved in banana production in St. Vincent consider fair trade necessary for maintaining exports to the UK. All participants pointed to several advantages of fair trade for themselves, their families, and their communities. Such advantages—in the form of higher prices, financial security, community development projects and better health standards—all provide for the needs of banana producing communities and constitute ways, moreover, in which fair trade is contributing toward tendencies to re-embed economic life in social relationships. The advantages of fair trade production in the case of St. Vincent are similar to benefits pointed to in other case studies conducted on fair trade bananas and coffee. Nonetheless, fair trade in practice also has several notable limitations, evident in St. Vincent as well as other cases. I will start by discussing the ways in which fair trade is helping to sustain communities and then introduce some of the limitations and future challenges that the fair trade system faces.

Out of the nine farmers that I interviewed most of them said that their families had been producing bananas for two or three generations. One farmer had recently taken over her mother's farm and had been producing bananas herself for only five years. Two of the farmers had been producing for over 10 years, five for over 20 years, and one for

over 35 years. The farmers all cultivated small plots of land of about 2-5 acres, depended on banana production as a main or sole source of income, and had long family histories in the production of bananas. All of the farmers described problems involving increased pressures in banana production throughout the 1990s and the decline in prices in that period. Although some of the farmers were not satisfied with the price they get now as fair trade farmers, most emphasized that the fair trade pricing system represents an improvement. Several said that they depend on money earned from bananas in order to pay their bills and send their children to school. One farmer described her dependence on bananas by saying that “As a farmer and as a woman I have no other alternative. I have to keep going. Everything depends on it” (Interview at Kingstown depot 2006).

Fair trade guarantees a minimum farm gate price of 7.60 US\$/18.14 kg box, a country-specific price that applies to all the Windward Islands and that is intended to provide price stability for farmers when market prices are low (FLO 2007). The fair trade minimum price is determined by FLO in consultation with producer organizations, such as WINFA. This guaranteed price is called a minimum because if market prices are higher or if importers can pay higher prices, then farmers are paid the higher price. The social premium of 1 US\$/box, which is entirely separate from the minimum price, is used to fund community projects. Comparatively, the fair trade prices paid to the farmers—varying according to pack type—are significantly higher than prices paid to farmers for generic pack types. According to the SVBGA’s price list in February 2007, banana farmers were paid, at most, 29 per cent more per box for fair trade bananas than they

were paid for the lowest price for generic bananas.¹⁸ This tendency for the fair trade price to be higher is consistent with other Windward Islands. In his study of fair trade farmers in St. Lucia, Mark Moberg indicates that fair trade growers were paid, at most, 41 per cent more for fair trade bananas than they were for the lowest price generic bananas (2005: 10).

In addition to better prices and better price stability, fair trade guarantees farmers a long-term contract (of at least one year) in which importing companies commit to buy their bananas. The National Fair Trade Committee gives farmers a weekly fair trade quota based largely on what farmers say they can produce that week. Farmers harvest and sell the bananas weekly and are paid fortnightly. In addition to predictable schedules, farmers in financial difficulty have access through fair trade to a revolving small loan fund (from which they can borrow up to 1500 EC\$) to assist them with their production problems.

Price stability and long-term contracts offered in the fair trade system are helping channel funds to banana producers and their families. Indeed, the fact that fair trade offers a regulated market through which producers in St. Vincent can continue to sell is an indication that the system encourages economic relations to benefit producer communities. Without a regulated market St. Vincent producers simply could not compete with Latin American producers. Production costs in St. Vincent are, for example, estimated to be three times the costs in Ecuador (Paggie and Spreen 2003: 13). Indeed, several of the officials and farmers that I spoke with during my visit emphasized the importance of having the fair trade alternative market. They told me that had it not

¹⁸ On average, fair trade prices were 19.3 per cent higher than generic prices. The highest fair trade price was 29 per cent higher than the lowest generic price, and the lowest fair trade price was nine per cent

been for the introduction of fair trade, the banana industry in St. Vincent would have completely collapsed.

Whereas higher prices have been good for individuals and families, indirectly benefiting producer communities on the whole, the fair trade social premium is designed to directly fund community development projects. As indicated above in the explanation of how fair trade works in St. Vincent, the fair trade producers are divided into fair trade groups. According to WINFA's Fair Trade Manager, when WINFA got involved in fair trade the organization "had to set up the necessary structures to facilitate farmers' participation in the decision-making process" (Interview 2006). WINFA coordinated the establishment of community fair trade groups with annual elections of its board and its national representative. The farmers were to decide whether to be in a group near their production site or near where they lived (sometimes farmers live away from their farms).

During the meetings, the farmers decide what community projects are to be funded by the social premium. Their participation is crucial for ensuring that such projects are decided by the producers. In fact, if a farmer misses more than three consecutive meetings s/he can be deregistered.¹⁹ The FLO Liaison Officer expressed great enthusiasm for the increased participation of growers in decisions involving their futures. She said that, from her point of view, "the real democracy, in terms of the participation of farmers, happens in the fair trade groups before the General Assembly meets...They vote for projects in the group meetings, and this is very democratic from my point of view" (Interview 2006). She also emphasized that such groups have helped

higher than the highest generic price.

¹⁹ This requirement is part of WINFA's own monitoring process to maintain compliance of individual farmers with FLO standards. WINFA would be the organization to decide to deregister any member who is not attending meetings.

encourage the participation of women in decision-making projects. Women have taken on an increasingly important role in banana production since the process of liberalization began in the 1990s and many of these women are single mothers in need of healthcare and daycare for their children. Women's involvements in the groups have helped to advance the development of projects that specifically address their needs as mothers. Out of the 17 representatives on the National Committee, five are women.

The decisions made at the monthly meetings determine what social projects are most needed in each community, with possibilities ranging widely from chairs for people to sit on during their meetings to preschools and health clinics. The social projects funded by the social premium are perhaps the clearest way in which fair trade is directly helping to sustain communities. Records supplied to me by the National Fair Trade Committee during my time in St. Vincent show that 100,000 EC\$ was budgeted for social projects in 2006.²⁰ These funds were allocated for 36 community projects and nine national projects.

In some cases there was more than one on-going project in a community. Of the community projects, the majority were for schools and pre-schools. There were 22 school projects in total, with the social premium paying for building materials, chairs, books, computers, printers, cots, fans, refrigerators, gas cookers, and other supplies. Of the farmers I spoke with, several stressed that the fair trade social premium goes toward helping their children and future generations. Social premium funds also went toward three health projects to provide medical equipment, including diabetic supplies; toward five sports projects, providing uniforms for cricket, football, and softball teams; and toward one road project. Indeed, the FLO Liason Officer emphasized the significance of

the road project in St. Croix.²¹ Before the road project some farmers had to walk more than two miles to load their bananas. This is no longer necessary, and the project has thus significantly improved the lives of people in the St. Croix community.

The national projects that are funded by the social premium mainly provide farmers with basic social and medical services. For instance, the revolving loan fund, mentioned above, is a national project. Other projects include a scholarship program, a medical health program for farmers, a retirement fund for farmers, a disaster relief fund, a program to house abandoned children (Liberty Lodge), and donations to the Salvation Army. The WINFA Fair Trade Manager indicated the importance of these national projects for the well being of banana farmers. For instance, the medical fund goes toward subsidizing the cost of annual medical checks for farmers. Farmers have access to full medical checks by doctors to make sure they have no complications from the use of chemicals. If complications are found, further medical assistance is covered by the fund. Since St. Vincent is subject to tropical storms, one of the groups proposed the development of a disaster relief fund, which the National Committee included its work plan, and the fund is now a national project. Thus, even national projects are influenced by the initial ideas of fair trade group members, whose suggestions are then taken to the National Committee by their representative.

Social projects funded by the fair trade social premium have significantly helped in the development of infrastructure and basic social and health services for banana producing communities. Such services are helping female producers by offering child care as well as medical attention through a health program that provides regular Pap

²⁰ Which is approximately \$43,651.70 Canadian (calculated in Feb. 2007).

²¹ St. Croix is a group with 48 members and is located in the center of St. Vincent in the Marriquia Valley.

smear tests. Funds are also allocated to regular clean-up programs to remove waste from streams. Indeed, in addition to establishing specific programs for healthcare, fair trade sets environmental standards that ban the use of certain pesticides. Farmers who operate next to rivers are required to have grass barrier buffer zones of 16 feet without chemical application to reduce chemical run-off into rivers (Interview with WINFA Fair Trade Manager 2006). The WIBDECO production controller I spoke with indeed emphasized that a significant change that had come from fair trade was a reduction in the use of pesticides. Two farmers said that fair trade means that they can do their work with less concern for their health. According to one farmer, fair trade means “growing a much more healthy food since, for example, fair trade uses less pesticides” (Interview at Langley Park depot 2006). Another farmer spoke about now having to wear an apron and gloves when using chemicals and commented that fair trade means “you’re taking care of your health” (Interview at Kingstown depot 2006).

Fair trade in practice has thus offered many advantages to farmers by imposing mechanisms to regulate the market so that it serves the needs of producer communities. Fair trade standards have facilitated the development of increased prices, long-term financial stability, community projects, enhanced participation in decision-making, increased access to health services, and new safety and environmental requirements for banana farmers in St. Vincent. Together, such benefits have contributed to a process of re-embedding the economy in social relations, promoting the “principle of social protection” instead of relying strictly upon the liberal principle of a distribution of benefits to individuals through the market mechanism.

4. Comparing Case Studies on Fair Trade Bananas and Coffee

Other case studies on fair trade bananas and coffee demonstrate similar overall advantages—as well as certain limitations—of fair trade in practice. In her study of fair trade banana production in the Dominican Republic, Aimee Shreck points to several benefits growers have experienced. Although initially the exporter decided the use of the social premium, the producers in the Azua Valley later formed fair trade groups and now decide the use of the social premium, which is going towards recovery efforts after Hurricane George and to other projects to strengthen production processes (2002: 17, 19-20). The most significant benefit, according to Shreck, is the market access and financial security that fair trade provides. Indeed, market access for banana producers in St. Vincent is also one of the most important benefits, since without fair trade more producers would have abandoned production altogether. Shreck makes a similar observation in regard to her case: “the Fair Trade market is the only reason many farmers are able to continue harvesting bananas at all” (2005: 23). In his case study of St. Lucian fair trade banana production, Moberg identifies significant material benefits for producers, including the funding of “an array of community services otherwise beyond the reach of most rural residents” (2005: 12).

Coffee was the first fair trade certified product, and more case studies have been conducted on fair trade coffee than on any other product. For instance, the Fair Trade Research Group (Colorado State University) has conducted seven detailed studies on coffee cooperatives in Latin America, five of them in Mexico. While noting problems, all seven studies indicate that fair trade has had major community benefits (Raynolds 2002; Taylor 2002; Nigh 2002). In his overview of the reports on Mexico, Nigh states

that fair trade has clearly “had an important positive impact on smallholder coffee organizations” (2002: 1). He describes the three most significant impacts as increased farm gate prices, the “empowerment” of small cooperatives, and the diversification of production (Nigh 2002: 3-7). In a report summarizing and commenting upon the research conducted by the group, Peter Leigh Taylor draws particular attention to benefits such as development projects from social premium funds, access to credit, improved organizational capabilities of cooperatives, and enhanced self-esteem among community members.

Generally speaking, these case studies tend to coincide with my findings on the experience with fair trade in St. Vincent. However, certain clear advantages from fair trade coffee production in Mexico, such as diversification projects and requirements from cooperatives that members switch to organic production, are not as evident in St. Vincent.²² Fair trade production in St. Vincent is not organic and has, indeed, experienced problems in the transition towards banning certain pesticides. When I asked the farmers if they could identify any problems with fair trade, several of them spoke of an increase of “watergrass” following the ban on pesticides that were formerly used to control the problem. Thus, whereas a couple of the farmers considered this change a positive one for their health, most of the farmers pointed to it as a significant problem since it created difficulties in production. Moberg similarly identifies the development of a watergrass problem in St. Lucia (2005: 11). The grass grows wild and is a host for nematodes, which invade the root system of banana plants. FLO has granted WINFA temporary permission to use a chemical called Basta to help control the watergrass

²² Several of the farmers I spoke with, however, do produce other crops for their own consumption and for sale to local markets.

problem, on the condition that the University of the West Indies continues to work with WINFA on research and development for an alternative way to control the problem without relying on the use of harmful chemicals (Interview with WINFA Fair Trade Manager 2006).

In regard to environmental impacts, the farmers in St. Vincent have to pack bunches of bananas in different plastic bags depending on the pack type of the supermarket (ASDA and Sainsbury). Although this packaging distinguishes fair trade products, it creates packaging waste. The need to package the bananas also demands increased labour from farmers. The WINFA administrator remarked that there used to be packing houses in England but that now farmers have to pack the bananas in the special bags (Interview 2006). In his study, Moberg raises this same problem and adds that implementation of the fair trade environmental criteria also means more labour input from farmers, in terms of mechanical weeding (2005: 12-13).

Shreck points to several limitations of fair trade banana production in the Dominican Republic, some similar to ones in St. Vincent and some not. For instance, she indicates early problems regarding who decides how the social premium is to be spent, although she says the problem has now been resolved. The social premium is an issue that came up during my conversations with the farmers in St. Vincent, though the question of who decides was not identified as a problem. Two farmers explained that, while the social premium used to go directly to them as a bonus at the end of the year, it now goes toward community projects. Most farmers interviewed were supportive of the collective way the social premium is used, but these two indicated that they would prefer to still benefit individually. One said, "I think they should give it to the farmers because

the farmer is the one who is working very hard” (Interview in Georgetown 2006). The difference of opinion concerning the use of the social premium underscores how the fair trade system includes a tendency toward re-embedding economic relations in the community rather than following the strict allocation of benefits to individuals that market liberalism promotes.

The coffee case studies also report a finding of several limitations that coincide with findings in the case studies on bananas. However, some of these limitations were not evident in the case of St. Vincent. For instance, Shreck suggests that women do not have enough influence over how the social premium is used (2002: 20), and this is also identified as a problem in the coffee cases. Taylor indicates that in some of the coffee studies women did not play a large role in governance, but that the social premium did go toward some development projects for women (Taylor 2002: 11). The issue of gender came up often during my discussions with officials and farmers in St. Vincent, but these discussions always emphasized the growing involvement of women in decision-making since the emergence of fair trade. The case studies on coffee found that growers tended to have little knowledge about how fair trade works (Nigh 2002: 16; Taylor 2002: 17) and Shreck’s study on fair trade bananas indicates a similar problem (2002: 19). Nonetheless, producers in St. Vincent showed a good overall understanding about fair trade standards.

There are at least two additional limitations of fair trade that were identified in all of the case studies on coffee and bananas, including my study of St. Vincent. One of these issues has to do with the involvement of large corporations. Fair trade is supposed to help shorten the supply chain, but this is particularly difficult in the case of bananas

from the Caribbean because fair trade sales depend on large UK supermarkets as well as refrigerated shipping. Coffee producers have also pointed to the problem of increasing corporate involvement in fair trade (Taylor 2002: 10). Indeed, there is growing literature on the paradoxical role of large corporations in the fair trade system, and this significant challenge to the future of fair trade will be considered at more length in the next chapter, which focuses on the role of fair trade in the larger global justice movement.

The final significant limitation identified by all the case studies is that, although fair trade brings material benefits to participating farmers, some farmers are not part of the system and even those who are do not necessarily have the opportunity to sell all of their crops at the fair trade price. In St. Vincent, although the vast majority of producers are registered to produce fair trade, not all are. Also, if registered producers exceed their weekly quota for fair trade, they then have to sell the remainder at a lower price. Such excess bananas are sold by WIBDECO as “fair trade loose” (because they are not packaged in bags) and farmers are paid a lower price for them, though one that is still higher than the generic price.²³

Since fair trade operates as an alternative market within the larger context of a global market functioning largely on the principle of economic liberalism, fair trade is limited to a small share of the conventional market and cannot include all producers or even sell at the fair trade price all that is produced by those who are part of the system. Nonetheless, in St. Vincent, farmer participation in the fair trade system, begun in 2000, has grown rapidly. Fair trade banana sales from the island now make up about 80 per cent of total banana exports, and there are indications that fair trade production will

²³ The WIBDECO official I spoke with told me that paying a higher price (than generic) for excesses of fair trade was WIBDECO’s commitment to the farmers (Interview 2006).

continue to increase in the future. In December 2006, Sainsbury, one of Britain's largest food retailers, announced plans to increase its supply of fair trade bananas from the Windward Islands in order to exclusively offer fair trade bananas by July 2007 (Butler 2006; Fairtrade Foundation 2006; TransFair Canada 2007: 4). Sarah Butler suggests that this change is likely to result in St. Vincent switching entirely to fair trade production of bananas. In addition, according to the chair of the National Fair Trade Committee, there are emerging plans for fair trade diversification into other products, such as fresh juices.

5. Windward Islands Farmers and Global Justice

Despite some clear limitations, fair trade in practice has, overall, clearly conferred benefits on producer communities in St. Vincent. Without fair trade, banana growers there would likely have no viable way to continue selling their bananas. According to the FLO representative: "The WINFA story and the Windward Islands' story is really a success story in the fair trade world" (Interview 2006). Banana farmers, despite pointing to several limitations, also generally emphasized the importance of fair trade for their continued livelihood. In the words of one woman, who had produced bananas for about 35 years, fair trade offers "a little bit of hope" (Interview in Georgetown 2006).

Fair trade in St. Vincent was introduced largely through WINFA's efforts to resist the liberalization of the banana regime and to help farmers sustain themselves through an alternative regulated market. The regulated fair trade market has provided producers with a better income, more financial stability, better standards of health, programs of social development, and opportunities to directly participate in decisions affecting their communities. Such re-embedding economic relations in society, while directly providing for the needs of producer communities, constitutes a notable challenge to the principles of

economic liberalism. Indeed, the fair trade system in St. Vincent offers an example of a local struggle that is part of a larger struggle against reliance upon a liberalized global market. Fair trade producers in the Windward Islands have been supported by British consumers opposed to the outcome of the WTO banana dispute, creating what Sheller refers to as a market for “‘ethical’ bananas” (2005: 15). The vast majority of fair trade bananas from the Windward Islands goes to the UK market, with four British supermarkets accounting for approximately 75 per cent of Windward Islands fair trade fruit (Moberg 2005: 10).

Fair trade in the Windward Islands needs to be considered within the framework of a larger countermovement, which also involves large-scale protests against free trade agreements and organizations, initiatives to promote a Tobin tax on financial markets, efforts to cancel Third World debt, and networks that support local markets. In addition to participation in fair trade, banana farmers in St. Vincent and the other Windward Islands have made deliberate connections with the larger movement against neoliberalism, particularly engaging in protests against proposals for a free trade Economic Partnership Agreement (EPA) between the Caribbean nations (CARIFORUM) and the EU. A march was organized in St. Lucia in September 2005, and some 2000 farmers mobilized under the slogan “Get Up, Stand Up!” to coincide with a visit of the EU Trade Commissioner to discuss an Economic Partnership Agreement for the region (Banana Link 2006; SV Min. of Agriculture 2005). Hundreds of farmers gathered three weeks later in Laudes, St. Vincent; and in December 2005 another demonstration was held in Dominica against the EPA.

The farmers in the Windward Islands are also connected to the global justice movement through their participation in La Vía Campesina, a movement made up of peasants and small to medium scale agricultural producers throughout the world who have joined together in transnational opposition to the liberalization of agricultural production. WINFA—the fair trade certified producer organization for the Windward Islands—is one of the 132 organizations that make up this transnational movement (La Vía Campesina 2007). Members of La Vía Campesina join together to protest international neoliberal institutions such as the WTO. According to Annette Aurélie Desmarais, “the Vía Campesina has become an increasingly visible and vocal voice of radical opposition to globalization of a neo-liberal and corporate model of agriculture” (2007: 6). Banana farmers, like other activists throughout the world, are taking to the streets to oppose further processes of liberalization in the region. Fair trade is thus part of a larger pattern of resistance.²⁴ Indeed, the relatively successful experiences of fair trade farmers in St. Vincent—posing a significant challenge to the promotion of the free trade ideal—is aligned with other efforts in constituting what Polanyi called a countermovement.

²⁴ Such resistance could also be analyzed in terms of the emergence of a “counterdiscourse”. See Slocum 2003: 253-285.

Chapter 3

Radical Possibilities of Fair Trade and Global Justice

The global justice movement is often referred to as “the movement of movements”, a slogan which emphasizes the multiple organizations, tactics, visions, and forms of resistance that challenge neoliberal free market capitalism. For instance, Naomi Klein maintains that mass demonstrations such as Seattle and Québec do not represent a single movement, “but rather convergences of many smaller ones” that are united through a common opposition to “neoliberalism” (2001: 4). Despite the tendency to associate resistance to neoliberal globalization with “open” forms of action such as mass demonstrations, James Mittleman and Christine Chin offer a broader concept of resistance. Resistance to globalization includes both “openly declared” and “undeclared forms of resistance conducted individually and collectively” (Mittleman and Chin 2000: 176). In this conception, fair trade may constitute a form of resistance to neoliberal globalization not only in the way it involves changing production and trade practices, but also in the way it involves consumers. Indeed, Mittleman and Chin maintain that “everyday activities, such as what one wears..., buys, or consumes, may qualify as resistance” (2000: 176). Fair trade can thus be considered one among many initiatives that resist neoliberal globalization.

The fair trade system brings about changes in conventional trading relationships in a way that affects both production and consumption. As we have seen in the particular case of the Windward Islands, banana farmers in the Caribbean connect their participation in the fair trade system with their struggle against neoliberalism and the legacy of colonialism. They engage in the larger movement for global justice by

participating in public protests and La Vía Campesina. In fact, WINFA, the fair trade organization in the Windward Islands, is active in organizing such protests and maintaining an alliance with La Vía Campesina. At the same time, consumers in Europe are able to support Caribbean banana farmers by choosing to buy fair trade certified bananas. To what extent might such practices of fair trade producers and consumers be conceived as part of other struggles against neoliberal globalization?

Both the global justice movement and the fair trade system are complex in that they exhibit differences and, at times, divergent tendencies. This chapter focuses on divergences within the fair trade system by drawing upon the common distinction between reform and radical tendencies. Although fair trade is often regarded as simply a reform initiative, the argument here is that this is an oversimplification that ignores radical possibilities. As we shall see, even scholars who are inclined to portray fair trade as reformist, sometimes acknowledge that it is at least partially guided by radical objectives and promises. Their point is that the context of fair trade makes it unlikely that the objectives will be reached or the promises fulfilled. The approach taken here, in contrast, is to examine fair trade not simply in terms of its current tendencies or likely future, but as a site of struggle through which the system could be pressed in a more radical direction.

This chapter will draw on scholarly literature about fair trade and the global justice movement as well as interviews with representatives of Oxfam Canada and TransFair Canada in order to discuss the limits and possibilities of fair trade. The early sections will discuss both the fair trade system and the global justice movement, demonstrating that each is made up of diverse and even contradictory initiatives, some

more radical and others more reformist in orientation. The later sections will address the controversies involved in the mainstreaming of fair trade, raising the issue of growing corporate involvement. Although the fair trade system is by no means limited to coffee, most of the scholarly literature on fair trade focuses on coffee since it was the first certified product. Indeed, according to Nicholls and Opal, “as the first and most important Fair Trade-certified product, the development of Fair Trade within the coffee export industry illustrates the development of Fair Trade itself” (2005: 80). The chapter will thus draw mainly on the literature regarding fair trade coffee, while also discussing fair trade bananas at particular points. If we regard the fair trade system as a site of struggle, then it makes little sense to categorize that system as either reformist or radical. The question becomes the direction in which the system should be pressed. For those who want a more radical direction, the point becomes to strengthen the system’s ties to radical initiatives in the global justice movement.

1. The Fair Trade System

The current fair trade certification system—administered by FLO and NIs such as TransFair Canada—developed out of movements for alternative trade which emerged in Europe and North America in the 1940s-1960s. Fair trade emerged during this time in the form of Alternative Trade Organizations (ATOs), which imported handicrafts from the South to sell in European and North American alternative markets. As early as 1946 the Mennonite International Development Agency started importing handicrafts from Latin America to sell in North American stores run by volunteers (such stores are today known as Ten Thousand Villages). Similar alternative trade initiatives included Oxfam’s sales in Britain of crafts made by Chinese refugees (1950) and sales in the Netherlands by

Fair Trade *Organisatie* of crafts made by groups in the South (1967). In 1986 Equal Exchange started importing coffee from Nicaragua for sale in the US. Such ATOs, part of the first phase of an alternative fair trade purchasing system, were characterized by their departure from conventional supply chains. The ATOs bypassed large corporations, establishing alternative markets for handicrafts—and later coffee—produced in the South.

Fair trade certification and labeling—emerging in the late 1980s—marks a significant departure from the first phase of fair trade by expanding into mainstream markets (Fridell 2007: 45; Levi and Linton 2003: 415). Fair trade coffee became particularly popular, gaining momentum with the collapse of the International Coffee Agreement, along with the fall in world coffee prices in 1989. The first fair trade coffee labeling initiative—Max Havelaar—was launched in the Netherlands in 1988. Other national labeling initiatives (NIs) were formed, including the Fairtrade Foundation in Britain and Ireland and TransFair in Canada and the US. In 1997 seventeen NIs joined under the umbrella organization FLO, unifying international fair trade certification standards.²⁵ There are currently twenty NIs and certification standards for over a dozen products (FLO; TransFair Canada Interview 2006).

The more recent phase of fair trade certification has involved a process of mainstreaming which has depended on growing corporate involvement. Gavin Fridell has suggested that fair trade labeling has meant a departure from fair trade's more radical past. Paradoxically, despite its initial aim to bypass TNCs fair trade has become dependent on such large companies to expand its market share. The notion that fair trade

is not radical enough and is being absorbed by working within the current form of capitalism raises the question of the connection of fair trade to the global justice movement.

This thesis has followed a Polanyian interpretation of contemporary struggles, suggesting that they exhibit characteristics of a countermovement to re-embed economic relations and provide for social needs. However, other scholarly work on fair trade has used a Gramscian framework in addressing the transformative possibilities of fair trade. Indeed, Aimee Shreck, drawing on the case of fair trade bananas in the Dominican Republic, questions the extent to which fair trade demonstrates any “counter-hegemonic potential” (2005: 20). Shreck points to the role of large transnational companies in the shipping and selling fair trade bananas, thus emphasizing that the fair trade system depends on the current market economy and powerful actors such as TNCs (2005: 24-25). She concludes that such dependence on capitalist markets make it unlikely that fair trade’s “radical and transformative promises” will be realized (2005: 25).

In a manner similar to Shreck, Fridell maintains that fair trade’s dependence on the capitalist market reduces its potential to challenge such structures. Indeed, according to Fridell, “however radical fair trade objectives may appear in the era of neoliberalism, the challenge which fair trade poses to the global capitalist market is severely restricted by its involvement in it” (2003: 6). In his recent book on fair trade, Fridell goes further, arguing that fair trade certification, which developed in the 1980s and 1990s, marks a departure from a more radical alternative fair trade network. He is critical of the growing corporatization of fair trade and maintains that “fair traders” should “revive and re-

²⁵ FLO sets fair trade standards for producers and licensees that sell fair trade products. Producers and traders are certified and monitored by FLO-Cert and manufacturing and processing companies

imagine the old vision of fair trade and its distinctly non-neoliberal, and in many ways anti-capitalist, objectives” (2007: 290).

Some scholars and activists might thus argue that fair trade is too reformist whereas others might point to the importance of fair trade as an example of an alternative model of trade. This chapter will consider fair trade’s role in the global justice movement, understood as containing both reformist and radical tendencies. The global justice movement is diverse, and this chapter examines the role of fair trade in it. I will argue that the fair trade system, if considered simply on its own, would appear to have limited significance for the global justice movement. However, the potential role of fair trade appears more significant if considered in connection with other struggles for global justice. In fact, the fair trade system is not a homogenous entity but involves a diverse range of different actors, sometimes in cooperation with one another, and sometimes in conflict. In this sense, fair trade can be considered a site of struggle over the direction it will take in the future. The main issue involved in the struggle for fair trade is whether it is to remain a reform initiative or is to be pressed in a more radical direction.

2. Movements for Global Justice: One “No” and Many “Yeses”

As we have said, movements against neoliberal globalization are diverse and at times contradictory in the alternative visions and tactics they support. Nonetheless, local movements ranging from struggles for political and cultural autonomy to transnational initiatives to reform international market structures can be connected in their common resistance to the deregulated capitalism that the dominant economic system of neoliberalism promotes. The movement of movements includes informal affinity groups,

(“licensees”) are monitored by national initiatives such as TransFair Canada.

peasant struggles, and formal organizations while spanning rural and urban places throughout the world.

Local struggles against neoliberalism are connected to other local struggles as well as transnational initiatives. Indeed, the particular example of the Zapatista uprising in Chiapas, Mexico is often pointed to as a symbol of how local resistance movements are connected in a larger transnational struggle against neoliberalism. The Zapatistas are a group of indigenous peasants in Chiapas that formed a guerilla force called the Zapatista National Liberation Army (EZLN). They prepared throughout 1993 to resist President Salinas' neoliberal economic reforms which changed Article 27 of the Mexican Constitution, enabling the privatization of communal lands (Cleaver 1998: 625). On January 1 1994, the same day Mexico signed the North American Free Trade Agreement (NAFTA), the Zapatistas launched an armed uprising, taking over three towns in Chiapas. Following the uprising the Mexican military launched its own offensive to control the Zapatistas, which has brought international public attention and monitoring of the situation in Chiapas (Cleaver 1998: 626).

The Zapatista struggle has grown in significance to play a symbolic role in the global justice movement. They offer an example of a local movement that explicitly resists neoliberalism, demonstrates an alternative model of social organization, and connects its own struggles to others through a transnational network. The Zapatistas provide an alternative model of social and economic organization. According to Neil Harvey, they have helped to establish an alternative and new "democratic imaginary" in Mexico with an emphasis on full political participation within the community (1998: 173) and cooperative production for subsistence. Women have played a significant role in the

movement, voicing their demands for equal participation in the struggle and promoting the establishment of the Zapatistas' Revolutionary Women's Law, which grant women the right to full participation as well as reproductive rights and the right to be free from domestic and sexual violence (Harvey 1998: 178). The Zapatistas produce cooperatively to meet their subsistence needs and also sell some products such as textiles and coffee through alternative trade channels (such as the Mexican Solidarity Network). The Zapatistas have connected their own local struggle against neoliberalism to others throughout the world, hosting international conventions in Chiapas against neoliberalism. They have invited everyone who identifies with them "to call themselves a Zapatista" (Starr 2005: 90).

Indeed, various mottos of the Zapatistas which embrace the diversity of struggles against neoliberalism have been adopted and used to characterize the global justice movement. For instance, Amory Starr and Jason Adams cite the Zapatista phrase which calls for "a world in which many worlds fit" (2003: 21). Other writers on the movement of movements have emphasized the common resistance to neoliberalism despite the diversity of alternative solutions presented by drawing on the Zapatista motto of "one 'no' and many 'yeses'" (Klein 2001: 4; Starr 2005: 112; Shepard 2004: 597). Whereas diverse initiatives can be connected in their common opposition to the neoliberal form of capitalism they remain plural in the sorts of alternatives they propose, ranging from movements for local autonomy such as the Zapatistas to large-scale transnational movements such as ATTAC's campaign for a Tobin Tax on foreign exchange transactions to reduce speculative flows.

The literature on the movement of movements tends to emphasize the wide range of alternatives proposed. Indeed, Klein proclaims “the end of The End of History” (2001: 1), thus contesting Fukuyama’s claim that neoliberalism is the best economic model and that the collapse of the socialist alternative marks “The End of History”. Klein draws on the motto of the World Social Forum (WSF) that “another world is possible”, suggesting that the WSF offers “an opportunity for an emerging movement to stop screaming about what it is against and start articulating what it is for” (Klein 2001: 1). Indeed, attempts to offer alternative models of social and economic organization contradict the common assertion that there is no alternative (TINA) to neoliberalism. Some have even debated the term used to name the global justice movement, suggesting that the term *anti-globalization* places too much emphasis on what the movements are against rather than what they are for. The term “global justice movement” is used to indicate a more affirmative position.²⁶

3. Radical and Reformist Tendencies in the Movement of Movements

As we have suggested, the range of alternatives proposed in the global justice movement are diverse, some radically rejecting capitalism and others working to regulate capitalism. For instance, although it challenges the dominance of neoliberal capitalism, the fair trade system still works within it, proposing a more regulated model of trade. Initiatives that are part of the global justice movement vary in the degree that they explicitly reject capitalism.

Several writers distinguish between more reformist and radical initiatives in the global justice movement. Jeffrey Ayres makes a distinction between “a reformist versus

²⁶ Another term is “alter-globalization”. Starr maintains that “the prefix ‘alter’ connotes at once both a negative and an alternative” (2005: 113).

a rejectionist approach” to resistance against neoliberal globalization (2003-4: 92). Yet, he also notes that such approaches overlap (2003-4: 92). He maintains that reformist groups—such as most formal NGOs—seek to regulate the rules of global trade, whereas rejectionists tend to seek more “anti-capitalist” and “anti-imperialist” goals (Ayres 2003-4: 94). Greg Buckman offers a similar distinction. He argues that despite claims that there are no alternatives, there are in fact two main schools in the movement that offer viable policy alternatives to the current form of global trade. According to Buckman these alternatives follow “a classic ‘revolution or reform’ divide” (Buckman 2004: 120). There is what he calls the “Fair Trade/Back to Bretton Woods School” and the “Localization School”. Despite their differences, Buckman maintains, there are significant commonalities between the two that should allow them to work together.

Both schools tend to be made up of NGOs and non-mainstream political parties, but the Fair Trade/Back to Bretton Woods school is more “moderate”, accepting the general structure of the trading system while arguing for greater labour and environmental regulations (Buckman 2004: 120). According to Buckman, this “school believes its policies would take the world economy back to ... the post-Second World War economic order” constructed at the Bretton Woods Conference in 1944 (2004: 120). This school also argues for an end to rich country protectionism and subsidies to agricultural and textile industries as well as the establishment of special rules for poor countries designed to protect their agricultural sectors (Buckman 2004: 125). Proponents of the school call for a global fund to alleviate falling raw material export prices as well as the establishment of enforceable environmental and labour standards in international trade law (e.g. calls for an ecological “precautionary principle” in WTO’s dispute

settlement mechanism) (Buckman 2004: 128). In terms of the global economic institutions, the school calls for major structural changes to the WTO, IMF and World Bank, stricter regulation of TNCs, full or partial debt relief, and the establishment of capital controls (such as a Tobin Tax) to reduce financial flows (Buckman 2004: 132-140). Thus, Buckman maintains that this school seeks to make the basic rules of global trade fair, not to completely reject the current structure.

Here, the first “school” that Buckman identifies has goals similar to those Ayres associates with reformism. Reformists seek to regulate neoliberalism while working within the capitalist system. The NGO Oxfam offers an example of what Buckman and Ayres classify as reformism. According to Mark Fried, Communications and Advocacy Coordinator for Oxfam Canada, this organization’s trade campaign has been quite controversial among anti-globalization activists (Interview 2006). Both Buckman and Starr have pointed to this controversy regarding Oxfam’s position in the larger movement, stating that the controversy was fuelled by Oxfam’s 2002 report “Rigged Rules and Double Standards” which, although critical of the current rules of trade, did not fully reject conventional trade practices (Buckman 2004: 167-168; Starr 2005: 157 and 160n). However, others would maintain that Oxfam is a key player in the global justice movement, offering support for the fair trade system while also promoting a larger campaign to “Make Trade Fair”. Mark Fried offers the following response to the controversy surrounding Oxfam’s work to restructure trade rather than reject it outright:

There are aspects of our trade campaign that people disagree with...particularly our stance that trade is part of the solution to ending poverty and that the WTO is a key part of improving the deal for poor countries.... Our stance is that poor people are trading internationally and we have to deal with the conditions under which they trade rather than simply oppose trade.... There isn’t free trade; there’s managed trade in

the world, and the question is how is it managed, and you have to engage in that debate about the rules that govern international trade, and that's what we wish to engage in. We're willing to sit down with the companies and talk about their own internal practices, and we're willing to sit with governments and talk to them about changing the rules, and that's something that not all anti-globalization advocates have the patience for or believe is worth doing.... We are reformist.... I like to think we're radical reformist—there are radical measures that are practical measures (Interview 2006).

Despite the controversy surrounding its approaches, Oxfam here clearly appears as part of the global justice movement in that it challenges neoliberalism. Laura Macdonald distinguishes between “progressive” and “neoliberal NGOs”, the former following an approach that seeks to transform social relations of power and the latter following more market-led strategies with individualist solutions (1995: 32). Although her article precedes Oxfam's report about improving the rules of trade, Macdonald maintains that Oxfam Canada is an example of a progressive NGO (1995: 30-31). Oxfam thus occupies a rather ambivalent position in the global justice movement: the NGO opposes neoliberalism while seeking to ameliorate rather than dismantle the current structures of international trade. As Fried indicates above, Oxfam has adopted a rather pragmatic approach that responds to the actual conditions that poor people in developing countries are facing.

Here, Starr and Adams make a useful distinction. The authors draw attention to reformists who claim that their “movement ‘isn't really *anti*-globalization” and that they “just want a *different* globalization” (2003: 19). In contrast, movements for community autonomy are definitely *anti*-globalization: they say “no” to the global economy (Starr and Adams 2003: 19). Whereas more reform-oriented initiatives may propose a regulated—or different—globalization, radicals tend to exhibit a more overt rejection of

global capitalist trade. Starr and Adam's formulation recalls our discussion (in chapter one) of Escobar's concept of the *different* anti-capitalist logic of movements for local autonomy that make up the anti-globalization movement. Fair trade and other initiatives, which seem to follow a more reformist orientation, may not be explicitly anti-capitalist but may still propose alternatives that restrict the deregulated form of capitalism that neoliberalism promotes. Nonetheless, to the extent that such initiatives reject the neoliberal project, they can be said to promote an *alternative* logic that encourages tendencies toward re-embedding.

Buckman and Ayres each explain that the more radical approach seeks a complete reorientation of the economic system around local production and consumption (2004: 150; 2003-4: 92). Whereas Buckman tends to emphasize that the more radical school—the “Localization school”—calls for a redirection of trade toward the local, Ayres emphasizes that the “rejectionist groups” tend to be anti-capitalist. The radical goals, according to Ayres, are typically accompanied by rather militant means. In mass protests against neoliberal globalization, the groups “may display a diversity of tactics” but “still largely share a commitment to some form of confrontational action” (2003-4: 93). In contrast to the organizational structures of reformist NGOs, Ayres adds, such radical groups are less formal and less hierarchal, pursuing “a more grassroots orientation” and taking “the form of a less permanent decentralized network” (2003-4: 93). For instance, Direct Action Network (DAN) is an example of a group that followed a more rejectionist approach. According to William Finnegan the “loosely structured” group was “deeply anti-capitalist” (2000: 45). Ayres explains that participants in DAN who played a large

role in organizing disruptive tactics at the 1999 Seattle protest have subsequently become part of new “decentralized transnational networks” (2003-4: 93).

Such radical groups promote, in Escobar’s terms, a *different* logic apart from capitalism. Indeed, he emphasizes the different logic promoted by movements for local autonomy. Starr and Adams also stress the anti-capitalist orientations of local movements such as the development of local economies through such means as community supported agriculture, community—or local—currencies, local markets and “sustainable cuisine” (2003: 24-26). They maintain that local autonomy offers immediate solutions “outside of the system” (Starr and Adams 2003: 42). Local currencies, in a case from Argentina, allowed people to trade and “barter goods and services outside the failed national economy” (Starr and Adams 2003: 25). Similarly, local political struggles of autonomous movements involve direct action in pursuit of immediate solutions. The Zapatistas in Chiapas called for indigenous ownership of land and political autonomy through democratic community structures; grassroots struggles in Cochabamba, Bolivia blocked the privatization of water; and autonomous movements in North America—such as the Ontario Coalition Against Poverty’s work in Canada—seized buildings for squatters (Starr and Adams 2003: 29, 30, 35). In such cases, the role of community action is enhanced and reliance on neoliberal economic approaches is emphatically rejected.

Buckman would portray such struggles for local autonomy as part of the “Localization school”, which he characterizes as being comprised of “radicals within the anti-globalization movement” (2004: 150). This school argues for a redirection of international trade with local economies at the center. Although, according to Buckman,

the school recognizes that “there will always be a need for some residual global economic activity”, it emphasizes the need for greater “self-reliance” (2004: 150). The goal of the school is to reduce long-distance trade through the implementation of increased tariffs and quotas (Buckman 2004: 155). Helen Norberg-Hodge advocates such a shift toward the local, explaining that, “the goal of localization would not be to eliminate all trade but to reduce unnecessary transport while encouraging changes that would strengthen and diversify economies at both the community and national levels” (1996: 394). Waldon Bello has systematically addressed such an alternative model of localization in his concept of “deglobalization” (2002).

Bello, according to Ayers, is a rejectionist, and deglobalization is one of the goals of the rejectionist approach (2003-4: 91-92). Bello’s concept of degloblization involves a rejection of the dominant economic order—a process of “deconstruction” (as he calls it), as well as of “reconstruction”, the creation of an alternative system (2002: 108). He distinguishes himself from reformists (such as Joseph Stiglitz and George Soros) who call for the restructuring of international financial institutions including the WTO, IMF and World Bank. According to Bello, such institutions cannot simply be reformed because they are part of the “paradigm” of neoliberalism (2002: 104). Bello argues for the deconstruction of such institutions by “drastically shrinking” their “power and jurisdiction” (2002: 109). Indeed, he calls for reducing all the policy influence of such institutions by turning them into solely research-oriented organizations (Bello 2002: 95). The deglobalist approach, by Buckman’s account, is part of the Localization school, which calls for the abolition of the WTO, IMF and World Bank and the establishment of

institutions that would monitor the localization of trade with agreements to secure sustainable trade (2004: 161).

Reconstruction efforts in this radical approach involve a shift away from the neoliberal emphasis on the growth of free markets and international trade toward a more inward focus aimed at making nation-states more self-reliant through the encouragement of local production and community co-operatives (Bello 2002: 113). The approach also calls for strict controls on TNCs with regulations on locating and selling within a particular economy (Buckman 2004: 160). Some proponents of localization or deglobalization, including Vandava Shiva as well as Bello, have been critical of efforts aimed at reforming rather than dismantling international financial institutions. In reaction to Oxfam's 2002 report about reforming trade rules (mentioned above) Shiva criticized the NGO's prioritization of export trade, and Bello criticized Oxfam's appeal to short-term goals (Buckman 2004: 167-168).

Despite a common criticism of the current neoliberal focus on the global economic order, there are clearly significant differences in the alternative visions proposed in the global justice movement. Here we have viewed such differences in terms of reformist versus radical approaches. However, even though we can say that particular struggles may tend to exhibit more reform or radical characteristics, any binary division is rather tenuous. The reason for introducing the debate here is that the issue of divisions within the global justice movement has been a focus in some of the literature. Also, the question of reform versus radicalism has become particularly significant for the fair trade certification system. At first glance, fair trade seems to fit clearly as a reformist initiative since the system works within capitalist structures. However, fair

trade also challenges the logic of neoliberal capitalism and presents an alternative that demonstrates a radical theoretical challenge for neoliberalism while also contributing toward tendencies of re-embedding in practice.

4. Fair Trade: A Convergence between Radicalism and Reformism?

As a site of struggle fair trade cannot be clearly categorized simply as reformist or radical. Fair trade has recently been criticized for becoming too mainstream and reform oriented, and such issues will be considered in the next sections. At this point, we will briefly consider how the fair trade system could in fact tend to bridge some of the divisions in the global justice movement. Here we can follow the lead of Buckman, who suggests that there are some commonalities between the two schools and that more effort should be directed toward bringing these commonalities to attention (2004: 194).

The fair trade system may foster potential points of convergence within the global justice movement. For instance, one major “deficiency” of the reformist school is that its reliance upon the poverty-reducing possibilities of increased trade neglects the environmental impact of transportation in global trade (Buckman 2004: 182). At the same time, a criticism of the Localization school is that it tends to neglect the problem that at least some “residual trade” would remain unavoidable (Buckman 2004: 187-188). The fair trade certification system potentially offers a way to address both problems. With its focus on the enhancement of producer communities, the system could partially complement efforts to increase the capacity of local communities for self-reliance. At the same time, the localization school admits that some international trade will persist, such as that involving those items that cannot be produced within a particular country. If the fair trade system were to continue to target such areas (e.g., coffee, cocoa and bananas) it

could aid in the effort to decrease the intensity of international trade while providing a means of dealing with residual trade.²⁷

If the fair trade system is a site of struggle, its future direction is not yet determined. There remains a possibility of creating ways to bridge the divide between initiatives that seek to reform international trade and those that seek to reject it outright. Nonetheless, the system in recent years has become increasingly mainstream and dependent on the neoliberal market structure. We will turn now to consider the significance of the trend toward mainstreaming. Later, we will consider how participants in the global justice movement and supporters of fair trade might best direct their future efforts in order to strengthen fair trade's alignment with more radical initiatives. If viewed as a model or system unto itself, fair trade appears simply as a reform initiative. More radical possibilities appear when fair trade is considered in connection with the global justice movement.

5. Mainstreaming Fair Trade

Fair trade has been criticized, as we have seen, because of the system's dependence on capitalist structures, particularly a growing reliance on large corporations. Both Fridell and Shreck have argued that fair trade is limited to the extent that it relies on capitalist structures and corporate involvement. Fridell argues that "there is, in fact, a powerful contradiction between the fair trade network's compatibility with neoliberal reforms and the belief that the network is a fundamental challenge to neoliberalism" (2007: 100). Fair trade does indeed present a *paradox* since the system attempts to resist

²⁷ Fair trade does, however, depend upon long-distance international trade. Indeed, as the range of certified products has increased to include agricultural goods that can usually be produced in Northern countries (such as honey) and some manufactured items (such as sports balls), it appears that the fair trade system is currently moving in a direction well beyond residual trade.

neoliberalism by presenting a more equitable alternative model of trade, while also working within neoliberal capitalism. However, fair trade's position within neoliberalism does not necessarily mean that it is doomed to be absorbed by neoliberalism. Indeed, fair trade might be said to occupy an ambivalent position, working both "In and Against the Market" (Nicholls and Opal 2005: 51).

Fair trade certification certainly exhibits limitations of working within capitalist structures. Nonetheless, the fact that an international system of fair trade certification—managed by FLO and its NIs—has expanded in Europe, North America, Japan, Australia, and New Zealand in the last decade while helping to sustain participating Southern producers, demonstrates that the system has indeed contributed a great deal to the global justice movements' diverse attempts to present viable alternatives to the dominant economic order. Nonetheless, achievements of what Fridell calls the "second phase" of fair trade (the certification system that has emerged since the Dutch company Max Havelaar launched its coffee label in 1988) have depended on fair trade becoming more mainstream. This section will consider some of the limitations involved in this shift away from fair trade's beginnings in the alternative trade movement.

Whereas alternative trade emerged from the 1940s into the 1980s, fair trade certification—or the labeling of fair trade products—has emerged recently, over the last twenty years and particularly in the last decade. In this shift to the "second phase" fair trade has expanded, and part of this expansion has involved the development of new fair trade products as well as the involvement of large transnational corporations rather than simply small, alternative stores at the local level. Nicholls and Opal describe this

transition as fair trade moving “from being purely an activist-led advocacy and empowerment model towards being a market-led commercial success story” (2005: 13).

As we have said, the fair trade system is a site of struggle with divisions among the networks of people and organizations making up the system. According to Fridell, most “fair traders” see fair trade as a way to correct market imbalances (2007: 15). His assertion seems well founded. For instance, Nicholls and Opal presuppose the free market, at least as an ideal, by asserting that fair trade helps to correct market failures: “Can the beauty of the win-win trade theory be made a reality? Fair Trade, in correcting the largest market failures in the global trading system, takes the theory much closer to reality” (2005: 19). Although many supporters of fair trade might challenge such a market-based interpretation of the system, fair trade has certainly had to abide by market constraints. For the fair trade system to be viable, it has especially been necessary to direct efforts toward the expansion of fair trade markets.

The growth of fair trade in terms of products, availability and national markets has increased steadily over the past years, especially in the coffee industry. Global fair trade sales of all products reached \$895 million in 2003 and were estimated to grow to \$1.79 billion by 2007 (Nicholls and Opal 2005: 152). Global sales of fair trade coffee, bananas, tea, rice, cocoa and sugar have increased significantly from 1999 to 2003, and the overall sale of fair trade products has grown approximately 20 per cent per year from 1999-2002 (Fridell 2007: 65-66). Nonetheless, not all fair trade products have experienced such growth, and much of the growth experienced in the abovementioned products is partly explained by the recent expansion of fair trade products from their European roots to North American markets, as well as by the fact that sales of certain

products (such as bananas) are relatively new. Indeed, the growth of fair trade coffee sales are mainly due to the development of new national markets (Fridell 2007: 65).

Although most sales of fair trade products, including coffee, are in European markets, successful efforts have been made in the past few years to expand the market in North America, as with the creation of TransFair Canada in 1994 and TransFair USA in 1995 (Fridell 2004: 144-145; Waridel 2002: 99-100). The need to expand the demand for fair trade products also reflects the fact “that the growth rate for Fair Trade markets has begun to level off in core fair trade countries, such as the Netherlands, Switzerland, Germany, and the UK” (Fridell 2004: 145). The fair trade coffee market share is less than five per cent in Europe and North America, so that sales are mainly in small “niche” markets. The market share of fair trade coffee is significantly higher in certain European, as compared to North American, markets. For instance, in 2002 and 2003 fair trade coffee took hold of approximately 3.8 per cent of the coffee market in the Netherlands and 3.4 per cent in Switzerland, compared to less than 1 per cent in the US (TransFair USA 2005: 3). However, fair trade bananas have demonstrated the potential for fair trade to take a larger portion of at least some markets. In Switzerland, fair trade bananas attained 50 per cent of the market share in 2004 (Nicholls and Opal 2005: 102). Fair trade sales in general are higher in European markets, a fact that Hira and Ferrie attribute largely to the wider availability of fair trade in European supermarkets as well as much higher consumer awareness in Europe (2006: 110). In North America, part of the strategy of expanding the fair trade market has been to increase demand through efforts to make fair trade products available through more mainstream channels.

The fair trade system has made a significant shift away from its roots in ATOs and now certifies fair trade products sold by transnational corporations. The involvement of large companies creates an opportunity to expand the demand for fair trade products, but also poses a significant challenge to the fair trade system, distancing it from its alternative trade past in a way that creates concern among many supporters of fair trade. In order for fair trade to be a viable alternative to free trade, fair trade products must take a significant hold in the market. According to Nicholls and Opal, “in order to continue to grow...Fair Trade marketing must move from niche targeting to mass appeal” (2005: 153). Strategies for such growth in North America have involved campaigns launched by students and NGOs to pressure corporations and universities to sell fair trade products. Fridell refers to such initiatives as “*buycotting* campaigns” (my emphasis, 2007: 72). Student and NGO pressure, in fact, has contributed to Starbucks’ endorsement of fair trade. Students and NGOs, headed by Global Exchange, launched a campaign of protests and letter writing to pressure Starbucks, the world’s leading specialty coffee company, to provide fair trade coffee in all its US stores in 2000 (Fridell 2004: 146; Renard 2003: 93; James 2002: 226; Levi and Linton 2003: 424). The role of student pressure is also demonstrated by Starbucks’ decision to make fair trade available at its outlets in universities across North America.

Student pressure on university campuses has also been important for increasing the availability of and demand for fair trade certified coffee. Many universities in North America provide fair trade options. Fridell indicates that McMaster University has set a precedent for university policy regarding fair trade (2004: 147-148). In 2002 McMaster’s administration signed the “Fair Trade Purchasing Policy for University Suppliers and

Licenses". What makes this policy particularly significant is that it has a language of enforceability:

At a minimum, each retailer shall provide its customers with a choice between coffee that meets "fair trade" standards and coffee that does not. In addition to retail coffee supplied directly by McMaster hospitality services, this policy shall apply to all new retail coffee contracts at McMaster.

According to Fridell, the policy does not apply to Tim Horton's. However, the above language does suggest that if Tim Horton's were to expand on campus students could mobilize to enforce the criteria that the policy is to apply to *all new retail coffee contracts*. McMaster's policy marks a significant achievement for future campaigns on campuses to pressure corporations to offer fair trade products.

Despite the growth of fair trade, however, there remains a dramatic oversupply of fair trade coffee compared to the demand for it. Fridell maintains that, "by one estimate fair trade coffee cooperatives are currently selling on average only 20% of their coffee as fair trade, with the remainder being sold on conventional markets at less than half the price" (2004: 145). Particularly in the coffee industry, the issue of oversupply is a major challenge since the entire coffee market has suffered from the oversupply of low quality robusta coffee.

Part of the problem of oversupply has to do with the difficulty of expanding fair trade into mainstream markets. Retailers of specialty coffee, such as Starbucks and Timothy's, have easily adopted fair trade because such companies tend to offer several brewed options, making it simple to include a fair trade option. Still, only a small percentage of fair trade coffee is purchased by large corporations, and some specialty retailers remain resistant to fair trade. For instance, despite consumer pressure, the

Second Cup refuses to “submit their product to a certification agency” (Hira and Ferrie 2006: 111). Moreover, beyond the problem of fair trade being adopted by specialty coffee retailers, there remains the larger challenge of expanding fair trade into canned coffee, which makes up the majority of what consumers buy since it is inexpensive and more widely available in grocery stores.

In the film *Black Coffee*, Deborah James (from Global Exchange) indicates that the next step in the campaign for fair trade will be to pressure the big coffee retailers of canned coffee (2005). However, this task will be difficult since there is a lack of consumer pressure in the low-quality coffee market (*Black Coffee* 2005).²⁸ Levi and Linton maintain that the effort to expand fair trade to canned coffee will be hampered by the fact that “there is, as yet, no well-conceived strategy to convince consumers of canned coffee to pay more in order to improve the lives of coffee farmers” (2003: 425). However, they suggest that a potential starting point would be to offer such coffee at a midway price, below that of high-quality beans (Levi and Linton 2003: 425). Efforts to mainstream fair trade coffee follow from the recognition that, to have any significant share of the market, the fair trade system needs to work within the market system and to involve the participation of TNCs.

Despite the difficulty anticipated in getting the largest canned coffee retailers to support fair trade coffee, there have been some gains since 2003, when Levi and Linton published their article. Oxfam Canada and Oxfam America have put pressure on the largest four sellers of coffee in North America to purchase fair trade and generally pay

²⁸ Although there is little research on fair trade consumers in North America, some market research in Europe suggests that “ethical consumers” are primarily women who come from middle to high socio-economic levels and are willing to pay increased prices for specialty products, such as fair trade goods (Fridell 2007: 263-264).

better prices to farmers. The “Big Four” coffee retailers are Sara Lee (Hills Bros., Chock Full o’Nuts, Real Coffee), Kraft (Maxwell House, Gevalia), Nestlé (Nescafé), and Proctor & Gamble (Folgers, Millstone). As a result of such pressure, Proctor & Gamble announced in 2003 its plan to sell fair trade certified coffee as part of its Millstone line of coffee (Damore 2004: 1). In 2005 Nestlé launched a fair trade certified instant coffee called Partners’ Blend (Webb 2006: 2). According to Oxfam America Sara Lee also buys a small amount of fair trade, but Kraft still buys no fair trade certified coffee (Damore 2004: 2). The emergence of fair trade coffee among these large retailers of canned and instant coffees demonstrates that fair trade is becoming more mainstream and widely available. In the case of fair trade bananas as well, sales are heavily dependent on corporate involvement in transporting the fruit in refrigerated ships and distributing it through supermarkets. Logistical obstacles to transporting small quantities of fair trade bananas is part of the reason why there is only one licensee in Canada certified to sell them (TransFair Canada Interview 2006).

In their article about how fair trade can become more mainstream, Hira and Ferrie suggest that fair trade certification should allow large coffee farms eligibility so that the system may attract more corporate involvement (2006: 115). Although FLO has developed two sets of standards for fair trade bananas, one for large-scale plantations and one for small-scale cooperatives, there is only one set of standards for small-scale fair trade coffee growers. Fair trade certified coffee largely emerged to help small-scale producers suffering from the collapse of the International Coffee Agreement and international prices in 1989. However, small-scale producers make up about half of coffee producers (Nicholls and Opal 2005: 79), and fair trade does not help coffee

workers on plantations. Nonetheless, despite their recommendation for increasing corporate involvement, Hira and Ferrie note that involving large farms goes against fair trade's earlier orientation and is not a change that will be readily "conceded by activists who tie fair trade to co-ops" (2006: 115). Indeed, the mainstreaming of fair trade, particularly the increased involvement of TNCs, has received a great deal of criticism from fair trade activists as well as scholars.

6. The Debate over Corporate Involvement

Although making fair trade available in mainstream channels such as supermarkets is necessary for the growth of fair trade, the increasing presence of corporations has generated debate between those who see this as a significant achievement for fair trade and those who see it as evidence that the system is being absorbed by neoliberalism. There is concern that the involvement of corporations will change the meaning of fair trade (Waridel 2002: 105). Nicholls and Opal indicate that ATOs were "the first-movers in Fair Trade" (2005: 95) and that some fear "that by becoming mainstream the 'soul' of fair trade may be lost" (103). Small-scale stores, such as Bridgehead and La Siebra Co-operative, support 100 per cent fair trade products as a matter of principle for ethical trade, in a manner that contrasts sharply with large-scale TNCs. Fridell acknowledges that TNCs have been important for the growth of fair trade markets but maintains that the participation of such large corporations threatens "the competitiveness of small-scale, 100 per cent fair trade ATOs" (2007: 287). "Fair trade", according to Taylor et al., "was established in part to critique the large corporations' role in the coffee trade" (2005: 206). These authors are especially concerned that corporations could begin to market their own

versions of fair trade, thereby threatening the legitimacy of certified labels such as TransFair.

The controversy over corporate involvement has concerned not only critics of fair trade, but also proponents active in the fair trade network. Indeed, the question of corporate involvement was a topic raised at a recent conference, “The Future of Fair Trade in Ottawa”, held in February 2007 and organized by the Ottawa Fair Trade Network with featured speakers from key organizations in the Canadian fair trade system, such as TransFair Canada, Oxfam Canada, La Siembra Cooperative, La Tierra Cooperative, and Bridgehead Canada. There is a clear awareness among these players that corporate involvement carries risks. This particularly became clear during my interviews with representatives from Oxfam Canada and TransFair Canada. Oxfam has been a significant player, as we have seen, in pressuring the big coffee companies to buy fair trade certified coffee, but has been and remains a sharp critic of the practices of TNCs. In discussing Nestlé’s recent endorsement of a fair trade line of instant coffee, moreover, Chantal Havard, Media and Public Relations representative for TransFair Canada, noted that Nestlé sells a very small amount of fair trade certified coffee compared to all the coffee they sell, but went on to offer this analysis:

That’s a start—for some people this is seen as something negative because Nestlé is sometimes seen as the “big bad multinational” but for other people it was seen as a victory because Nestlé chose to sell fair trade because of consumer pressure.... I think the big multinationals are starting to open up to fair trade and will do so more and more because of the demand, because of the pressure, because they see a market for it, they want to be seen as good corporate citizens, and they see the fair trade system as something credible, something that has legitimacy (Interview 2006).

The desire of companies to be viewed as “good corporate citizens” leads to a key issue in that some proponents of fair trade certification, as well as critics of the system, fear that mainstream companies are not devoted to fair trade in the long-term, but instead purchase a small percentage of fair trade to better their corporate image of social responsibility.

The most common criticism of corporate involvement is, indeed, the tendency for large corporations to “greenwash” their image, making them appear much more socially and ecologically responsible than they are. Indeed, Nestlé’s move to incorporate some fair trade might well serve as an example of such “greenwashing”. The growing involvement of large corporations like Starbucks and Nestlé points to a potential problem for the future of fair trade. By marketing their own versions of fair trade, such corporations could threaten the legitimacy of fair trade labels. Nicholls and Opal in fact call third party corporate labeling schemes “fairwashing” (2005: 102). This term points to a corporate tactic of associating a company’s entire image with “fair trade” while offering only few (or no) fair trade products.

Many of the large companies that are adopting a small portion of fair trade certified coffee are also purchasing coffee through organizations with less than rigorous certification and labeling initiatives. Fridell indicates that such “initiatives are generally conducted by corporate-friendly third parties (such as Conservation International or Rainforest Alliance)” (2007: 78). He also points to private company initiatives such Nestlé’s Sustainable Agriculture Initiative and Kraft and Sara Lee’s sustainable coffee projects in Vietnam (Fridell 2007: 79). Although Kraft has refused to purchase fair trade, the company announced its plans in 2003 to import and sell Rainforest Alliance

certified coffee (Fridell 2007: 258). Rainforest Alliance is a popular alternative to fair trade for large coffee corporations because it also certifies plantation producers and has less stringent social standards than fair trade (Fridell 2007: 258). Indeed, Rainforest Alliance has also become a convenient way for large banana corporations, such as Chiquita Brands International, to avoid a serious involvement with fair trade (Murray and Reynolds 2000: 70).

Conservation International (CI) is a competing certification scheme to fair trade that focuses on environmental standards but is less stringent on social standards that are central to fair trade. Fridell indicates that CI “has been accused of being a corporate front designed to greenwash its sponsors’ images” (2007: 258). Starbucks has recently entered into a partnership with CI, suggesting that tendencies toward greenwashing or fairwashing may be developing at Starbucks, with its growing “integrated approach” to social responsibility (Starbucks 2007). Starbucks offers some fair trade coffee as well as other competing labels such as organic and shade-grown, and maintains that it “is committed to paying equitable prices for *all*” their coffee (Starbucks 2007). Interviewed in the film *Black Coffee*, Howard Shultz, former CEO of Starbucks, defends his company, claiming that larger canned coffee companies are, in contrast, doing nothing for fair trade (2005). Also interviewed in the film, activist Deborah James draws attention to the fact that Starbucks likes to compare itself to the leading canned companies (such as Maxwell House and Folgers) that dominate the industry. She adds, however, that these are not Starbucks’ competition and that, in the specialty coffee market, Starbucks is a “follower, not a leader” (*Black Coffee* 2005).

Fridell is critical of Starbucks' model of corporate social responsibility, which he maintains "is driven by the interests of corporate profitability" (2007: 261). Although Starbucks is the largest buyer of fair trade certified coffee in North America, purchasing 11.5 million pounds in 2005 (Starbucks 2007), the percentage of its fair trade coffee imports is quite low, at about 1-2 per cent of their total coffee imports, and Starbucks does not purchase fair trade tea or cocoa (Fridell 2007: 257, 261). Global Exchange—one of the NGOs that pressured Starbucks to start purchasing fair trade in 2000—has called on the company to increase its fair trade purchases to at least five per cent and use fair trade coffee in its espresso beverages (Global Exchange 2004; Levi and Linton 2003: 425).

Fair trade coffee is becoming increasingly available in more mainstream channels with the involvement of corporations in North America. Indeed, according to a TransFair USA press releases, in 2003 Dunkin' Donuts announced its plans to use exclusively fair trade certified coffee in their espresso drinks, and in 2005 McDonald's announced that it would sell fair trade coffee in New England and Albany. This tendency for the fair trade image to be associated with TNCs is problematic for radicalizing fair trade. For instance, Starbucks, sometimes referred to as "the McDonalds of Coffee", was a major target of window-smashing by anti-globalization activists at the Seattle protest. This corporate image poses a major challenge for gaining support for fair trade from radical, anti-capitalist activists. Even some participants in fair trade have resisted the growing corporate involvement in the system. Indeed, Fridell indicates that some small ATOs have recently split from TransFair USA over the issue and are seeking to establish their own association (2007: 287).

Despite the criticism that fair trade is too reformist or mainstream because of the involvement of TNCs, pressure on such companies to participate in the fair trade system has clearly influenced corporate codes of conduct. Even Fridell acknowledges that the adoption of initiatives for corporate social responsibility “represent an upward movement of the bar of acceptable social and environmental standards” (2007: 288). Nonetheless, as he stresses, fair trade remains a voluntary certification system. As such, it remains possible for corporations to circumvent any serious engagement while still trading on the image of fair trade through practices of greenwashing or fairwashing.

7. Fair Trade and Public Institutions

Fair trade, as an NGO-led voluntary initiative, is distinct from any state policy initiative or a multi-state effort to regulate trade on the model of Bretton-Woods. Fridell, indeed, speaks critically of the “non-statist orientation” of the fair trade system, posing the question of whether its voluntary character is sufficient to achieve significant reform (2007: 286). The voluntary focus of the current international system of fair trade is based on administration by FLO and the NIs, together with networks of supporters in NGOs, universities, and churches. Nonetheless, there is an emerging role for public institutions, particularly for them to adopt fair trade purchasing policies. The current international system is really only a decade old (FLO being established in 1997), and fair trade has already gained significant support from government bodies ranging from municipal to international levels.

James has drawn attention to efforts to advance fair trade through city governments as well as churches and universities (2002: 223-225). New York, Chicago, Boston, San Francisco, San Diego and Los Angeles are examples of cities in which fair

trade coalitions have formed in the US to pressure municipal governments to introduce fair trade resolutions (TransFair USA). In Canada a Fair Trade Towns' initiative has sought to build on a campaign that emerged earlier in England in 1999. Overall, there are currently some 200 Fair Trade Towns in the UK, France, Belgium, Ireland, Sweden, Australia, the US, and now Canada (TransFair Canada 2007). To become a Fair Trade Town, a number of criteria must be met. For instance, fair trade certified products must be widely available in stores and restaurants; the City Council must pass a resolution supporting fair trade and must provide fair trade products at city functions; community groups, workplaces and churches must also demonstrate support. In 2007 the Town of Wolfville, NS was the first town in Canada to become a Fair Trade Town (TransFair 2007), and the mayor of Vancouver has shown support for fair trade, saying that fair trade coffee will be served at City Hall (Hira and Ferrie 2006: 110).

At the national level, some governments fund NIs such as Max Havelaar and other fair trade NGOs. For instance, in 2002 Max Havelaar France received approximately 40 per cent of its budget from French Ministries (Nicholls and Opal 2005: 136). According to Levi and Linton, at least five European governments, including Denmark, Belgium, France, the Netherlands, and Switzerland, have subsidized NGOs to promote fair trade (2003: 419). At the international level, the European Union has passed resolutions supporting fair trade, and some European Institutions offer fair trade coffee and tea (Fridell 2004: 146).

The fair trade system has thus gained significant support from public institutions at municipal, national, and international levels. Yet despite criticism of fair trade from some because it lacks the backing of state authority, there are significant reasons why the

fair trade system might well keep a distance from the state. One of these is that, if fair trade were adopted as state policy for international trade, then the system could be accused of interventionist practices against the rules of free trade. Nicholls and Opal emphasize that fair trade “as a consumer choice movement” remains “outside the scope of government regulation and thus cannot be criticized as an interventionist trade policy” (2005: 12). Another reason for fair trade to remain outside the state is that, by doing so, the system tends to remain less vulnerable to efforts by conflicting forces (e.g. particular corporations or trade groups) that might seek to control it—to reduce its radical potential or effectiveness—by exerting their influence on public policy.

8. The Future of Fair Trade

Paradoxically for the fair trade system, the reasons for its successes—in terms of increasing its global market share in particular products—have a lot to do with the system’s ability to work within the current form of capitalism. Indeed, as we have seen, fair trade depends on market structures. Fridell notes that the successes of fair trade have depended on its “compatibility with neoliberal reforms” (2007: 99). Working within “the imperatives of global capitalism”, he further argues, has “imposed significant limits on the network, and...will likely continue to erode, the fair trade program over time” (Fridell 2007: 286). However, when we consider the future of fair trade, we need to consider it within the context of the global justice movement. Moreover, although fair trade works *within* the conventional market, we should not underestimate the ways in which fair trade also works *against* that structure, promoting an alternative to neoliberal trade through a model based upon principles that tend to promote re-embedding. Fair

trade does not move beyond capitalism, but it does present a challenge to the dominant neoliberal form of capitalism.

What is meant by fair trade's tendencies toward re-embedding the economy in social relations? Fair trade cannot completely re-embed economic relations in the sense of returning to the community forms of social organization that Polanyi describes as having no economy separate from social relations. Indeed, since fair trade works within capitalist structures, it depends on market relations. Relevant here is Ruggie's concept of "embedded liberalism", which he used to describe the post-World War II Bretton Woods system of regulated international trade. Fair trade resembles embedded liberalism in that it works to control the terms of trade. However, fair trade is not based on an agreement among states and, at the same time, involves more radical possibilities.

Fair trade is guided by a concept of justice that cannot be reduced to a liberal concept of justice based on individualism. As we saw in our discussion of Smith in the first chapter, the liberal economy is a mechanism that people compete in as individuals. In the fair trade system producers continue to sell in the capitalist market; however, people are also collectively shaping their lives outside the market context. The fair trade social premium goes to community projects to improve social services and the overall quality of life in the communities. Such projects also involve democratic structures based on grassroots participation in small groups that put forward social projects to national committees. In the case of St. Vincent we saw that the social premium and the formation of fair trade groups has helped banana producers cope with the pressures of neoliberal reforms. Fair trade departs from embedded liberalism also to the extent that it is a voluntary initiative run by NGOs that remain relatively independent of the state.

Fair trade does not completely re-embed economic relations but instead helps to contribute to tendencies toward re-embedding and is connected to other initiatives that challenge neoliberalism. In the case of the Windward Islands, we have seen that fair trade banana farmers are connecting their struggles against neoliberalism and the legacies of colonialism with their involvement in WINFA, wider protests against neoliberalism, and participation in La Vía Campesina. In this particular case, fair trade has not been able to achieve the same level of protected trade that existed prior to the WTO dispute. Still, fair trade has helped banana farmers in the Windward Islands cope with a process of further disembedding of economic relations brought about by neoliberal restructuring in the last decade.

The fair trade alternative does not, of course, remedy the colonial legacy that is responsible for establishing systems of the monocultural production of primary commodities. In this regard, Starr and Adams advance a criticism of fair trade, arguing that “while providing a slightly better return to producers” the system “still emphasize[s] monocultural production for export (at the cost of diversity in production) and foster[s] dependent development in which third world producers are whipped by the whims of first world colonial-style luxury consumption” (2003: 23). With its commitment to improve relations of production in primary commodities, fair trade does not of course seek to end international trade in such commodities, but instead seeks to deal with the legacy of colonialism by helping producer communities cope with neoliberal restructuring and improve their quality of life.

Although fair trade is largely dependent on the demand of Northern consumers, the system challenges the relations of capitalist consumerism, emphasizing the role of

human production involved in the commodity. Mark Rupert maintains that dismissing fair trade as consumerism “fails to see the ways in which the explicit linkage of social production and consumption can challenge the fetishism of commodities and its attendant identity of apolitical individual consumer” (2004: 129). As we have seen in this chapter the current fair trade system is becoming more mainstream in order to increase demand among consumers. The involvement of TNCs has raised significant concern among the network of organizations that make up the fair trade system. Yet, even though fair trade has become increasingly mainstream, this tendency does not cancel the radical possibilities of the fair trade system in regard to producers or consumers. Moreover, the future of the system cannot be considered apart from its relationship to other efforts to achieve global justice.

While it does not offer a logic entirely apart from capitalism, the fair trade model is certainly an important part of initiatives to promote an alternative to the deregulated form of capitalism promoted by neoliberalism. However, the future shape of fair trade is not predetermined, but depends upon actions that might be brought upon to shape it, both by those within the system and by those outside it. Strategy, in other words, has a potential role to play. As we shall see in the concluding chapter, global justice activists—together with fair trade advocates—can attempt to radicalize fair trade by emphasizing the ways it might connect with or complement other global justice struggles.

Conclusion:

Toward a Fair Trade Strategy

Challenging neoliberal globalization and the legacy of colonialism, fair trade offers an alternative model that prioritizes the needs of producer communities while seeking to at least partially re-embed economic relations in social relations. The fair trade system operates with mechanisms such as guaranteed minimum prices, social premiums for community projects, democratically structured groups, and standards to protect health and the environment. Overall, case studies of fair trade producer communities indicate that, although the fair trade system does not entirely fulfill the promises of the model, producers have benefited from enhanced market access, better prices and social premiums for community projects. With the particular case of the Windward Islands banana farmers we have seen not only these benefits, but a clear example of how fair trade has helped at least one group cope with the consequences of neoliberal restructuring. It is thus reasonable to conclude that the fair trade system offers reforms that are at least partly effective in responding to neoliberalism.

Yet the thesis has also argued that fair trade offers radical possibilities, particularly as part of the larger global justice movement. However, the latest phase of fair trade, since the late 1980s, has been criticized for becoming too reformist and not challenging capitalism—that is, for not exhibiting or developing a radical potential.

Fridell is an important critic in this regard:

The fair trade network...is premised on the belief that global inequality and injustice can be combated with radical reforms to trade...without a fundamental transformation of political power, class relations, and property ownership within the states that constitute the capitalist world system (2007: 14-15).

Here, Fridell suggests that fair trade cannot combat inequality and injustice without a thoroughgoing transformation of the capitalist system. Of course, fair trade does, strictly speaking, work against inequality and injustice. The question is the extent to which the system can do so successfully. Support for fair trade, however, does not depend on an expectation of total success. Indeed, a major point of this thesis is that the radical possibilities of fair trade cannot be realized through the fair trade system alone, but only in the context of complementary struggles of the “movement of movements” for global justice. Despite his reservations about the fair trade system and its recent trends, indeed, Fridell does advance the possibility of “reformulating a more radical vision of fair trade” (2007: 290-291). The point worth stressing here is that fair trade certification is only one initiative among many. On its own, fair trade cannot be successful in combating global injustice, and its radical possibilities depend on the complementary struggles of a larger movement.

The thesis has argued that there are similarities between contemporary movements for global justice and the countermovement that Polanyi describes in his analysis of 19th century Europe. In a manner similar to the way numerous groups then challenged the self-regulating market and attempted to establish stricter social regulations, diverse networks are today challenging the form of capitalism encouraged by neoliberalism. The diversity of such initiatives is evident in some of the divisions among them, particularly in terms of whether a particular struggle considers itself in opposition to neoliberalism or in complete opposition to all forms of capitalism. Whereas the more reformist movements seek to regulate capitalist structures, the more radical movements reject capitalist structures altogether, promoting alternative forms of socio-economic

organization. While opposing neoliberalism with reform initiatives to regulate trade for social protection, fair trade clearly continues to work within capitalist structures. Nonetheless, key aspects of the fair trade model adhere to a logic that is contrary to capitalism. In this sense, fair trade tends to challenge capitalist relations of production. Apart from financial returns to individuals, fair trade channels additional funds for community development through the social premium. Fair trade also challenges the fetishism of commodities by drawing attention to the labour that goes into the commodity.

At a conceptual level, fair trade follows upon historical debates in political economy—such as that over the just price—concerning the connection between economic relations and society. We have especially drawn upon the work of Karl Polanyi in order to pursue this connection to political economy and have argued that fair trade promotes a logic opposing the ideal of the self-regulating market. The fair trade model suggests that this ideal is flawed and presents an alternative that contributes toward tendencies of re-embedding economic relations so that they directly provide for the needs of producer communities.

How might fair trade be pressed in a more radical direction? The fair trade system can be considered a site of struggle made up of diverse people and organizations influencing its future. Although fair trade has become more mainstream in recent years, the future of the system is not therefore pre-determined. Supporters of fair trade and activists in the global justice movement can still play a role in efforts to radicalize fair trade. This suggests the need for a fair trade strategy. Here we can offer only an approach to such a strategy by identifying elements of a strategic orientation. Moreover,

given the diverse actors with roles to play, it should be clear that the kind of strategic orientation suggested here is not something that is subject to central direction or that can be pursued by any single agent—an individual, an organization, or even an alliance. What thus appears needed are complementary initiatives from a range of different agents, some concerned with immediate reforms within the established economic system and others focused on resisting it and seeking its transformation.

Fair trade exhibits similarities with movements for local political and economic autonomy in the form of the system's commitments to community empowerment through the social premium, democratization, and gender equity. The fair trade system could move further toward empowering communities by strengthening ties with struggles for local autonomy. Indeed, the basic orientations of fair trade and local autonomy movements are not necessarily at odds, and their practices could become complementary, particularly by making an explicit commitment to support the goals of local food movements. Fair trade exhibits a commitment to local communities of producers that is comparable to local food movements such as community supported agriculture (CSA) schemes. CSA involves families buying yearly shares in local farmers' crops, and although fair trade increases the food miles there is a similar logic involved in that the system makes a long-term commitment to particular farmers, often small-scale family farmers. Despite fair trade's dependence on export trade, the system promotes the empowerment of small-scale producers and could, as we have seen, help solve the problem of residual trade. Coffee and bananas are examples of commodities for which there will likely always be a demand in the North, where they cannot be produced. In addition, many people in the South depend on the production of primary commodities

such as coffee and bananas. By offering a means for dealing with the problem of residual trade, the fair trade system could be incorporated within the call for more small-scale, locally sustainable production. Fair trade might also seem at odds with the local food movement because the system is based upon a colonial legacy of monocultural production. However, the fair trade system encourages producers both to diversify their production, growing crops for local consumption, and to move toward organic farming by reducing or eliminating the use of pesticides. Further action along these lines would tend to reinforce efforts to promote local autonomy.

Efforts to press fair trade in a radical direction face a challenge in preventing the system from being absorbed within the powerful forces of neoliberal globalization, particularly transnational corporations. Indeed, a significant problem that the thesis has identified for the future of fair trade is the extent that its radical tendencies might be inhibited by the system's growing involvement with corporations. In addition to strengthening fair trade's commitment to community empowerment, then, the development of a strategic orientation would also need to involve a clarification of the role of large corporations in contrast to the system's involvement with 100 per cent fair trade ATOs. Global justice activists need to continue challenging the corporatization of fair trade by pushing for preferences for ATOs. Indeed, a competing fair trade certification organization—the International Fair Trade Association (IFAT)—certifies mainly Fair Trade Organizations rather than actual products, suggesting a need for FLO and its NIs to make a stronger commitment to 100 per cent fair trade organizations. FLO and IFAT have discussed the possibility of combining their standards so that the labels do not compete (Nicholls and Opal 2005: 141; TransFair Canada Interview 2006). Fridell

argues that strengthening the fair trade system's commitment to ATOs could involve stricter standards that require Northern licensees to "purchase a specified percentage of their goods fair trade (well above 1 per cent)" (2007: 290). Such a policy could indeed clarify and strengthen the fair trade system's commitment to 100 per cent fair trade ATOs.

There do appear to be indications that the fair trade system is already moving in the direction of clarifying its commitment to ATOs. Indeed, I learned in an interview with TransFair Canada that the NI has developed strict guidelines about the ways in which the TransFair logo can be used by 100 per cent fair trade organizations, in comparison with organizations that only sell a minimal amount of fair trade certified products. A 100 per cent fair trade organization can display the TransFair logo in its store(s) and use it on promotional material; however, companies that have only a line of fair trade products must use the tagline—*Ask for Fair Trade Certified products*—to indicate that not all of its products are fair trade (TransFair Canada Interview 2006). Indeed, the Media and Public Relations representative for TransFair Canada told me that the organization established such guidelines in response to consumer pressure:

Because before some consumers were complaining that sometimes it was confusing that a company that was only selling maybe five per cent of their coffee as fair trade certified was putting the logo all over the place and presenting themselves almost as a fair trade company.... So that's why we have created this guide to make things really clear and make sure that the companies that are 100 per cent can benefit from using the logo and promoting themselves (Interview 2006).

TransFair Canada's distinction between 100 per cent fair trade licensees and licensees that carry a minimal amount of fair trade certified products demonstrates that some preference is given to ATOs, and that there are at least some restrictions on the

involvement of large corporations not fully committed to fair trade certification. Indeed, TransFair Canada is currently planning new policies to highlight 100 per cent fair trade organizations (correspondence with TransFair Canada June 2007). Fridell's recommendation for a minimum fair trade percentage could help further strengthen the fair trade system's commitment to ATOs while giving more credibility to fair trade labels. In order to follow a more radical strategic orientation, fair trade and global justice activists will need to continue to pressure for such stricter standards regarding corporate involvement.

Nonetheless, the involvement of corporations remains necessary for reaching more consumers and expanding fair trade markets. Wider availability of fair trade products in North American supermarkets could significantly increase demand. However, such expansion of fair trade markets would need to involve not only strict regulation of corporate involvement, but also consumer education about the significance of fair trade—particularly, the TransFair label and the standards that it stands for. By emphasizing the origins of particular commodities in production and by guaranteeing that fair trade's economic, social and environmental standards are upheld, the conventional consumer outlook in the neoliberal market could be questioned and changed. Projects of consumer education could thereby help to counteract the tendency to view commodities abstractly, apart from the labour processes through which they are produced. Fair trade's challenge to the fetishism of commodities, in other words, cannot simply be taken for granted, but needs to be promoted through deliberate action.

A strategic orientation for fair trade would also need to include the promotion of political activism among fair trade participants, both producers and consumers, against

neoliberal policies. As we have seen, WINFA's membership in La Vía Campesina and the involvement of its members in protests against neoliberalism demonstrates a connection between participation in fair trade and engagement in other struggles for global justice. Strengthening this connection would be important in pressing fair trade in a radical direction. In the North, activists can continue to pressure corporations to commit to selling larger quantities of fair trade products while also pressuring universities and municipal governments to adopt comprehensive ethical purchasing policies that include a commitment to fair trade certified products. As we have seen, TransFair Canada has recently launched a Fair Trade Towns campaign to encourage activists to increase their town or city's commitment to fair trade. Part of promoting political engagement among fair trade consumers would, moreover, need to involve further research on the significance of fair trade for producer communities, along with efforts to publicize it.

A strategic orientation to press fair trade in a radical direction would depend, above all, on its relationship to the global justice movement. Fair trade is clearly connected to this movement of movements, but the nature of the relationship is not altogether clear. Indeed, it is ambivalent since the system depends on capitalist trade while also opposing the deregulated capitalism of neoliberalism. Yet even as a reform initiative, fair trade can connect with other initiatives for global justice. Is fair trade simply connected to global justice in various ways, then, or is fair trade an integral part of the larger movement? A problem in clarifying the relationship is that neither fair trade nor the global justice movement is fixed in a particular form that can be clearly identified. As suggested by recent tendencies toward its becoming more mainstream, fair trade could

turn its focus even more toward limited reforms and could thus increasingly diverge from the cause of global justice. Nonetheless, the system's connections with the global justice movement could be strengthened if activists were to press fair trade in a more radical direction, linking it with movements for local autonomy and seeking to more strictly control the terms of corporate involvement. By affirming its connections with radical initiatives while demonstrating the viability of an alternative model, fair trade could become integral to the struggle for global justice.

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Allen, Philemon. Chair of the National Fair Trade Committee and Field Officer for the SVBGA, November 6, 2006.

Amarsy, Shemina. Liason Officer for Fair Trade Organization International, November 7, 2006.

Defreitas, George. WIBDECO Product Controller in St. Vincent, November 8, 2006.

Rose, Ancelma. WINFA Administrative Secretary and Secretary for Gender Affairs, November 8, 2006.

Rose, Renwick. WINFA Coordinator, November 8, 2006.

²⁹ The names and positions of the people interviewed will be listed only for representatives of organizations. The farmers were interviewed anonymously.

Interviews in Canada

Havard, Chantal. Media and Public Relations for TransFair Canada, September 26, 2006.

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