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New Position in Fair Trade Literature: From "In or Against" to "Existing Together with and in Order to Change" the Market¹

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Abstract

The "in or against" the market debate is one of the oldest in the Fair Trade literature. In this draft paper, I aim to present a novel perspective which sees the most prominent part of the Fair Trade movement – the Fairtrade system, as "existing together with and in order to change the market". In order to argument my position, I will firstly put forward the debate regarding two critiques of the Fairtrade system – neoliberal and radical, explaining why I see them as too exclusive. Secondly, I will discuss the question of inherent need of big agrofood businesses to grow, the process of Fairtrade mainstreaming, the relational nature of Fairtrade global value chains, and finally, I will identify the contemporary free vs. fair trade debate as a false one. These discussions will be presented in order to show that the Fairtrade system co-exists with and constantly strives to initiate evolution of the very market in which it operates.

Key Words: Fair Trade; Fairtrade System; In or Against the Market; Existing Together With and in Order to Change the Market.

Introduction

The working paper derives from my ongoing doctoral research titled: "An Assessment of Possibilities for Stronger Inclusion of Upper-middle-income Economies in the Fairtrade System - Case Study Serbia", which I conduct at the GEM PhD School - University of Warwick and *Université libre de Bruxelles*. In particular, it is a result of a critical analysis² of the Fair Trade literature focused on one of its oldest debates - the question of Fair Trade being in or against the market - and data analysed from a few selected interviews conducted during my doctoral research. At its core, this debate is connected with one of Fair Trade's *raison d'être* - to influence the contemporary global economic system. Numerous Fair Trade researchers (Baret Barrett Brown 1993, Renard 2003, Nicholls and Opal 2005, Low and Davenport 2006, Moore et al. 2006, Schmelzer 2006, Jaffee 2007, Reynolds, Murray and Wilkinson 2007, Lamb 2008, Doherty et al. 2013 and others) tackled this issue and my paper takes their conclusions as starting points and develops my own original position in order to present arguments showing that Fair Trade is neither in nor against the market, but that it "exists together with and in order to change the market".

In order to put forward my viewpoints, I will, firstly, present the Fairtrade system, which will be in the centre of my research as the most prominent part of the whole Fair Trade movement. Furthermore, I will discuss two critiques of the Fairtrade system - the first, coming from neoliberal and the second, coming from radical positions, which see it as either predominantly "against", or "in" the market. Moreover, I will introduce scholars who already identified and tackled the "in or against" question from numerous perspectives, trying to reconcile sharp divisions, also helping me to formulate my position. Finally, I will present four arguments why I find that the "in or against" the market perspectives are too exclusive, and why the praxis of the Fairtrade system corresponds more to my position of mutual co-existence and constant striving to initiate evolution of the very market in which it operates.

Fairtrade System

Today, myriad of development programmes, initiatives and campaigns try to tackle developmental issues worldwide. Some of them are in the form of the Global Justice and Trade Justice movements and grassroots or "globalisation from below" initiatives (Abdelrahman 2010). They challenge political, economic, social and ecological aspects of the contemporary phase of globalisation (de Sousa Santos 2004 and Reynolds, Murray and Wilkinson 2007) and central for their agendas are new rights and values, together with questions of food sovereignty and rural resource issues (Buttel and Gould 2004 and Reynolds, Murray and Wilkinson 2007). Unlike the previous times when their focus was on authoritarian and totalitarian regimes, today, it is on the global market, since, "[r]ather than focusing their efforts at the national level, social movements in this context shifted their strategies to global arenas and new movement goals" (Reynolds, Murray and Wilkinson 2007, 7).

Parallel with their development, a whole new wave of literature criticising global businesses and calling for more ethics in the global economy emerged. This new trend started with Naomi Klein (2000), continued with Hartwick (2000), Hughes (2001), Stiglitz (2002) and others who advocated the need for greater transparency and

supply chain accountability. This had an immediate practical impact because companies started to apply concepts of double and triple bottom-lines, therefore, going beyond conventional financial metrics, i.e. profitability and efficiency, in order to capture environmental and social impacts as well (Nicholls and Opal 2005). From these practitioner and academic milieus emerged the general Fair Trade movement and its most prominent part, the Fairtrade system.

Fair Trade, according to its supporters is "a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in developing countries" (FLO and WFTO 2011, 1). According to Barratt Brown (1993), Raynolds (2000), Ransom (2001) and Raynolds, Murray and Wilkinson (2007), Fair Trade is one of the most dynamic initiatives which emerged as a response to negative effects of globalisation in recent decades. According to them, it strives to use globalisation's transformative powers in order to create a greater social equity around the globe. It is one of the key elements of the concept of "the new globalisation... .. reshaping the patterns of international trade and the very processes of corporate expansion in the global economy that have historically undermined ecological and social conditions around the world" (Raynolds, Murray and Wilkinson 2007, 4).

Furthermore, the Fairtrade system is the most prominent part of the Fair Trade movement. It is based on the complex set of its own standards, which are interconnected with the ones coming from the International Organization for Standardization, offering, according to its supporters, myriad non-monetary and monetary benefits (FLO and WFTO 2011). In particular, firstly, there are five core groups of principles (FINE 2001, Murray et al. 2003, Nicholls and Opal 2005, Hayes 2006, Jaffee 2007, Raynolds, Murray and Wilkinson 2007, Lamb 2008, Nelson and Pound 2009, FLO 2011b, FLO 2012b and Brkovic 2013a and 2013b). Among them, for this paper, the most important is the one asking for the Fairtrade system to aspire to an altered global economic system. This is planned to be achieved by offering comprehensive business support to producers of Fairtrade products; through changes in practices of traders dealing with Fairtrade products - insisting on their transparency, accountability and safe business operation; by raising awareness with consumers of Fairtrade products; and finally, by means of campaigning for changes in the overall way the global economic system is established (Ibid.). In addition, the most important monetary benefits offered by the Fairtrade system are the Fairtrade Minimum Price representing "... a sufficient income to cover their [(poor producers')] costs of production and provide for their families" (Nicholls and Opal 2005, 41) and the Fairtrade Premium which "finance[s] broader community projects such as health clinics, schools, better roads and sanitation, and other social services [(in producers' communities)]" (Raynolds, Murray and Wilkinson 2007, 5).

The system itself is based on producers of Fairtrade products, the Fairtrade certified traders who are the *liaison* and finally, consumers of Fairtrade products who are the final link in Fairtrade global value chains. Fairtrade International (FLO) can be seen as governing the whole system and the FLO-CERT is the main third-party certifier and guarantor of Fairtrade standard compliance. The Fairtrade system is certainly not the only Fair Trade initiative and another famous one is under the World Fair Trade Organization's (WFTO) auspice. However, due to the availability of data (Fairtrade International is the main Fair Trade data hub), the Fairtrade system's primacy in sales of Fairtrade products (the ratio can be 10:1 in favour of Fairtrade labelled products when compared with all other Fair Trade products according to Krier (2005) for example), and finally, my own research interest, I will follow numerous other researchers (Schmelzer 2006, Raynolds, Murray and Wilkinson 2007, Lamb 2008, Doherty et al. 2013 and others) who focused their research predominantly on the Fairtrade system when it comes to the question of being in or against the market.



FLO's FAIRTRADE Mark for products

The question how the above-stated benefits and business practices of the Fairtrade system reflect on its relation with the market will be the topic of the rest of my paper. Before offering four arguments supporting my novel understanding in the second part, I will, firstly, discuss two critiques and answers to them, which are strongly present in the Fair Trade literature. The first one sees the Fair Trade movement in general and the Fairtrade system in particular as, to a large extent, against the market and incompatible with both the ideal type and the practical contemporary manifestations of neoliberal orthodoxies. In addition, on the other side of the theoretical spectrum, the radical critique sees the Fair Trade movement in general and the Fairtrade system in particular as mostly co-opted by the market and unable to offer either revolution or evolution of the current global economic system.

Neoliberal and Radical Critiques of the Fairtrade System

The first of the two is actually one of the most common critiques in the Fair Trade literature - the neoliberal critique. I will start with the Cato Institute's position on why the Fairtrade system is not in line with the market. According to them, this is due to the fact that the Fairtrade minimum price is inherently faulty, since it is driven by humanitarian reasons and not by the market's logic (Lindsey 2004). An immediate answer comes from Nicholls and Opal (2005) and Stiglitz (2006) who, based on their research retorted that actually the currently formed "free" market price is a distortion in itself, most often blurred by agricultural subsidies and market speculations. In addition, an old, but for this discussion interesting argument about the freely formed market price comes from Keynes and it is actually largely in line with how the Fairtrade Minimum Price is perceived by the Fairtrade system. "Proper economic prices should be fixed not at the lowest possible level, but at the level sufficient to provide producers with proper nutritional and other standards in the conditions in which they live... ..It is in the interests of all producers that the price of a commodity should not be depressed beyond this level, and consumers are not entitled to expect that it should" (1946, 167).

Furthermore, the Adam Smith Institute puts forward argumentation that the Fairtrade system is nothing more than another type of farm subsidies (Sidwell 2008). The above-stated defenders of Fairtrade offered answers to this critique as well, stating that given the fact that Fairtrade is a completely consumer driven movement, it cannot be identified as subsidy-based, since no governmental agency is involved (Nicholls and Opal 2005 and Stiglitz 2006) - unlike what is the case in all economies which the Adam Smith Institute identifies as exemplars of free trade.

Maseland and de Vaal (2002) indicated that the Fairtrade system's logic, if it becomes the dominant *modus operandi* will, firstly, lead to oversupply, and secondly, to lower prices outside the Fairtrade system, again undermining the market. Although numerous Fair Trade scholars largely refuted this critique (Jaffee 2007 and Nelson and Pound 2009), I will put forward the answer coming from the World Bank's research stating that no negative impacts on non-Fairtrade producers is found in their case studies, both in terms of oversupply and impacts on non-Fairtraders (Ronchi 2006).

In addition, two quotes from Hayes will further question the above-stated critics. The first states that: "from the perspective of economic theory based on competitive supply and demand but informed by Keynes, Fair Trade improves welfare mainly by strengthening competition for the labour of households and eliminating monopsony rents, and that there are no grounds for any *a priori* claim that Fair Trade necessarily distorts competition and promotes inefficiency" (2006, 450). The second goes even further and it will be an overall conclusion of the first debate, but also an introduction for the radical critique: "Fair Trade is indeed an essential complement for any free trade policy that includes a genuine concern for the welfare of the poor" (Ibid., 466).

Regarding the second critique, it is coming from the other side of the theoretical spectrum. Johnston (2002), Shreck (2002), Starr and Adams (2003), Jones (2004), Lyon (2006), among others, pointed out a number of inherent issues with the Fairtrade system, which according to them, can be seen as arguments that the Fairtrade system is, to a large extent, just in the market, unable to change it significantly. Their main dilemmas can be summarised in Moore, Gibbon and Slack's question asking if a preponderant paradigm "can ever be changed from within or whether this requires an external, and potentially revolutionary, rather than evolutionary, approach" (2006, 348).

The radical critics firstly questioned the Fairtrade system's contributions, asking if they are simply insufficient. Numerous Fair Trade researchers (Raynolds and Murray 1998, Renard 1999, Murray and Raynolds 2000, Raynolds 2000 and 2002a and 2002b, Nicholls and Opal 2005, Phillips 2006, Nelson and Pound 2009 and many others) challenged this position and although they did not see Fairtrade as a panacea which will completely change the contemporary global economic system all alone, according to, for example, Nicholls and Opal's research, the Fairtrade system "...can help many marginalized producers and greatly contribute to the process of improving trade justice..." (2005, 254).

The above-stated radical critics also found evidence that the insufficiency is due to the fact that, in itself, the Fairtrade system is actually just a neoliberal trade solution. Nicholls and Opal start to retort by saying that once Fairtrade's share becomes the majority of a market, the whole industry will move to become Fairtrade and not the other way around (2005, 254-255). Jaffee, based on his comprehensive field research, adds that before that happens, the ultimate power of Fairtrade lies not in its current, or according to him, even in its future size, but in the alternative model of organising economic exchange it provides, demonstrating that there is "another, better way to trade" (2007, 9), which is an additional answer to the critique that it is nothing more than a mainstream neoliberal solution.

Furthermore, radical critics found that the Fairtrade system supports not only overproduction as the neoliberal critics were saying, but that it actually leads to overconsumption as well. Although it is true that it certainly does not call for reduction in global consumption (Low and Davenport 2006), numerous members of the Fairtrade system, such as Fairtrade trader Day Chocolate, for example, are not blindly following the "the carrot of volume" (Moore et al. 2006, 346). The same goes for a number of, especially more conscious consumers of Fairtrade products, who, when buying Fairtrade products are not driven by wanting to want (Dolan 2002).

In addition, radical critics are questioning the environmental part of the Fairtrade system's proclaimed sustainability in general, and in particular, they are challenging its operational base focusing on the issue of food miles.

Regarding the environmental impacts, firstly, it is important to point out that unlike initiatives to buy locally, the Fairtrade system is focused on international trade. Secondly, regarding the food miles, O'Kane states in his

comprehensive research that the most common definition is that they represent "a proxy measure for the distance that food travels from paddock to plate" (Saunders, Barber and Taylor in O'Kane 2011, 270). However, he continues that in fact the real definition of food miles should be focused on the "impact of food transport on the environment" (Ibid.). This impact depends largely on the type of transportation, given the fact that boats have nearly four times lower carbon emission than trucks and therefore, "[p]urchasing locally can reduce the distance that food travels, but these gains may be offset by the smaller trucks used and lower load factors" (Estrada-Flores and Larsen quoted in O'Kane 2011, 270). "Hence, from a purely environmental perspective, local food systems may not significantly reduce emissions from transport, unless very-low-carbon transport systems are used" (Larsen, Ryan and Abraham quoted in O'Kane 2011, 270).

In addition, regarding its environmental sustainability, due to the Fairtrade monetary benefits, producers of Fairtrade products are able to keep the old and introduce new ecologically sound production techniques like "shade-grown" instead of "sun-grown" coffee, or wet processing without chemicals instead of the one which leaves rivers bereft of oxygen (Jaffee 2007). Finally, in the Fairtrade system, there is a clear incentive for transition to organic production, which, although bears challenges, like the additional costs in work and labour (Ibid.), brings higher prices on the Fairtrade market and far more ecologically sustainable practices in the field (Nelson and Pound 2009).

Following the presentation of the positions which predominantly see the Fairtrade system as in or against the market, in the final part of the paper, I will present argumentation why it can be seen in a novel way.

Existing Together and in Order to Change Market

As already stated in the introduction, the "in or against the market" debate is one of the oldest in the Fair Trade literature and it was clearly formulated by Barratt Brown at the beginning of the 1990s (1993). At the time of its emergence, in practice, shifts in the Fair Trade movement started to occur, moving it from "being purely an activist-led advocacy and empowerment model towards being a market-led commercial success story" (Nichols and Opal 2005, 13). The most illustrative manifestation of this change was the fact that up until then it was called "alternative trade", and from then it became famous as the "fair trade" initiative (Low and Davenport 2006). Today, as Patrick Veillard, Fair Trade expert at the *Oxfam Magasins du Monde* said, the Fairtrade system is more mainstream than ever, and because of that, there is a growing fear for it becoming less critical than it used to be (2013, interview), which goes in line with the "soul losing problem" that many Fairtraders are afraid of (Low and Davenport 2006).

However, the position which I advocate in this paper derives from the view which asks what if these "internal contradictions of being a business and campaign that operates 'in and against the market'" (Barrett Brown 1993, 89) were to be seen as an advantage? What if this, according to Renard, "inherent contradiction of the model" (2003, 91) can be seen as its strength? Three works inspired me to go further in analysing these presumptions. Firstly, Schmelzer's paper stating that the "in or against the market" perspectives are "...both too extreme and one sided... [since] ...[t]he reality of Fair Trade lies somewhere in between..." (2006, 15). Secondly, the work of Low and Davenport who found evidence that, through mainstreaming, the Fairtrade system can work "with" the market (2006, 316). Finally, the most recent work presented by Doherty and his colleagues, that called academia to "move beyond the pragmatic versus radical debate and explore alternatives" (2013, 179). Therefore, based on the previous works of Fair Trade researchers, this paper aims to answer their calls and gives another alternative in the form of understanding that the Fairtrade system exists together and in order to change the market, offering four arguments why this is the case.

I will start the discussion by presenting the first reason why the Fairtrade system has to exist in the market and that is the inherent need for growth connected with all big agrofood related business initiatives. This was already identified in 1995 by doyens of the global food studies literature, Tansey and Worsley, who stated that big agrofood businesses have to grow in order to survive (1995). Tansey together with Rajotte reconfirmed and reinforced this point in the comprehensive work that they edited in 2008. Therefore, the Fairtrade system, but especially the connecting link in its global value chains, the traders of Fairtrade products, in order to be able to survive in the middle and long run have to be a part of the market, have to work "with" it as Low and Davenport stated (2006, 316) and to develop constantly.

In the Fairtrade system's practice, there are numerous examples in line with the above-stated point, and I will now put forward the one regarding the Fairtrade mainstreaming, which will, at the same time, be the second argument supporting my novel viewpoint. Regarding the definition of the concept of Fairtrade mainstreaming, I follow Hartlieb and Jones stating: "The unprecedented growth of labelling initiatives and the fact that they are to a large extent driven by retailers is the core of the so-called 'mainstreaming' phenomenon... Mainstreaming therefore describes the move from 'ethical' products, mainly 'organics' and fair trade, out of their alternative niche into mainstream distribution channels – or, in other words, from farm, whole foods and independent 'ethical' retailers onto the supermarket shelves" (2009, 596).

In Italy, for example, where its national Fairtrade system is still based on alternative traders and radical Fairtrade consumers, representing just a niche, the annual sales of Fairtrade products are around 50 million Euros. Therefore, according to Doherty and his colleagues (2013), although the chances for the Italian national Fairtrade

system to be fully co-opted, diluted or captured by the market are negligible, its sluggish growth, low annual sales, inability to move from the niche and to attract non-radical Fairtrade consumers, is, firstly, limiting its impact on producers of Fairtrade products and secondly, it can lead to the failure of Fairtrade in Italy in the medium and long run. "[L]ack of mainstream interaction and corporate growth appears to 'cap' fair trade consumption..." (Doherty et al. 2013, 172).

This was also identified by a number of my interviewees, such as the chair of the Fairtrade Foundation's National Campaigner Committee, Susan Bentley (2013, interview), a stakeholder and policy manager at the Fairtrade Max Havelaar Belgium, Karlien Wouters (2013, interview), and a sustainability officer at Delhaize Serbia in charge of the regional line of Delhaize Fairtrade products, Relja Kosanovic (2013, interview). The situation on which they all warned to a large extent had already happened in Mexico, because its national Fairtrade system, when it comes to the Fairtrade sales and consumption, failed to emulate the development of its European counterparts. According to Pablo Perez Akaki, Professor and Fair Trade researcher at the *Universidad Nacional Autónoma de México - La Facultad de Estudios Superiores Acatlán*, this happened predominantly due to the fact that it failed to grow, involve new Fairtrade consumers and campaigners and enter mainstream (2013, interview).

On the other hand, in the United Kingdom, for example, the sales of Fairtrade products amount to €1.5bn annually (Fairtrade Foundation 2014). The reason why this is the case is the fact that, in the UK, the Fairtrade system left the niche. In addition, it entered in the Fairtrade mainstreaming processes, and it is supported by majority of the biggest supermarkets. "[A]ll of the major British food retailers – a sector dominated by corporations with multinational operations – have officially adopted social and environmental labelling schemes, bringing ethical consumerism into the 'mainstream' of retailing" (Hartlieb and Jones 2009, 584). This led to the situation that "one in every three bananas sold in the UK is Fairtrade... ..44 per cent of bagged sugar sold in the UK is Fairtrade certified... [and] ...25 per cent of all roast and ground retail coffee in the UK is Fairtrade certified" (Fairtrade Foundation 2014). Consequently, the UK national Fairtrade system is now described as "the most dynamic" in the world (Hartlieb and Jones 2009, 584).

Although the first two arguments clearly show that the Fairtrade system is, and has to be a part of the market in order to develop and thrive, they can also be seen by the radical critics as yet another proof that the Fairtrade system is just in the market. Their positions are reinforced by the fact that not only that it has to grow and enter the mainstream as any other agrofood related business initiative in order to have a long-term future, it also uses the same operating practices in the form of global value chains and follows the same managerial global value chain constructs: "(1) customer focus, (2) environmental uncertainty, (3) top management support, (4) purchasing strategy, (5) buyer-supplier relationships, (6) integration and (7) performance", explained in detail by Karjalainen and Moxham (2012, 273).

Therefore, firstly, the Fairtrade system has to take into account Drucker's credo that "to satisfy the customer is the mission and purpose of every business" (1973, 79). Secondly, it has to take into consideration the environmental uncertainties which are, according to Noordewier and his colleagues, connected with supply, demand and technology uncertainties (Noordewier et al. 1990). Thirdly, the Fairtrade system and especially its campaigners have to focus more on acquiring top management support developing and managing such relations strategically (Karjalainen and Moxham 2012, 276). Furthermore, one of the most prosaic, but from the influential Kraljic's article (1983), inevitable aspects of every global value chain management is purchasing. According to Karjalainen and Moxham, Kraljic suggests three supply chain strategies - balance, exploit and diversify (2012, 276). Moreover, the next important aspect is the integration ability and according to Power there are "...three key elements of an integrated supply chain model: information systems (management of information and financial flows), inventory management (product and material flows) and supply chain relationships (management of relationships between trading partners)" (Power in Karjalainen and Moxham 2012, 277). With this connected is also the penultimate aspect, again crucial for the Fairtrade system, trust and long-term relationship building between partners. Finally, there is the question of costs and development and as Karjalainen and Moxham remarked, although it is true that the Fairtrade global value chains pay higher prices to producers of Fairtrade products "this does not preclude FT chains aiming for cost-efficiency, competitiveness and growth" (2012, 278).

Therefore, from all above-presented, radical critics can conclude that, as an agrofood business initiative, which has to grow and enter the mainstream and which is based on global value chains and follows its management practices, the Fairtrade system just exists in the market. However, it exists in order to change it as well when the third argument is added.

Unlike the majority of all agrofood businesses, the Fairtrade system aims for a particular type of global value chain in general and global value chain governance in particular (Davies 2009). According to Reynolds, Murray and Wilkinson it is "a prototype for 'relational chains' where transactions are primarily based on trust" (2007, 36). In order to develop this argument further, I will include some of the scholars who wrote about the Fairtrade system and global value chains, especially based on Gereffi's works (Dolan and Humphrey 2004, Daviron and Ponte 2005, Gibbon and Ponte 2005, Smith and Barrientos 2005, Reynolds, Murray and Wilkinson 2007, Reed 2009, Smith 2010, Karjalainen and Moxham 2012 and Doherty et al. 2013).

"[F]ar from being organized solely by market forces, economies are governed by a variety of power networks (Powell, 1991; Thorelli, 1986; Williamson, 1975). Applying these ideas to value chains, Gereffi et al. (1995, 84)

suggest that market governance is just one of five ways in which commercial interactions are organized - and is thus only one system among many that coordinate the economy" (Smith 2009, 458). In his second influential work with Humphrey and Sturgeon (2005), Gereffi showed both that there are five main types of global value chain governance, but also that there is a possibility for a change from one type to another. "The theory generates five types of global value chain governance – hierarchy, captive, relational, modular, and market – which range from high to low levels of explicit coordination and power asymmetry" (2005, 78).

For this paper, two global value chain governances are the most important. The first is the market type based on ideal-type free trade understanding that the costs of switching, as well as links between trading partners, are low and weak. This is due to the fact that the complexity of transactions is low, and that the ability to codify transactions and capabilities of suppliers are high. On the other hand, the already-stated Fairtrade system's preferred "relational" global value chain type of governance, on the contrary, has high complexity of transactions, low ability to codify the transactions, retaining the high capabilities of supply-base. Therefore, it fosters mutual dependence and strong linkages throughout the whole chain.

As already stated, due to the fact that the change from one governance type to another is possible, this is the room for the Fairtrade system to influence the rest of the market, firstly, by strictly following the relational logic of its global value chains governance, hence, creating strong connections between all the links and showing that, as Jaffee stated, "another, better way to trade" (2007, 9) is possible. Secondly, by growing, entering the mainstream and changing the global value chains in general and global value chains governance in particular in the rest of the market.

How the relations in Fairtrade global value chains look like in practice and how different they are from non-Fairtrade operations is best described by the following illustrative quote by Reynolds, Murray and Wilkinson. "Mainstream economists would have us believe that consumers seek out the lowest price for goods of any given quality, maximizing their individual gains. But how then do we explain why millions of consumers around the world are now choosing certified Fair Trade products instead of other often cheaper options? ...Further, traditional economic logic tells us that producers seek to maximize their competitive advantage over others in a zero sum game of winners and losers in the global marketplace. How do we then explain the systematic assistance that early participants in Fair Trade provide to subsequent entrants into this dynamic market? ...Finally, mainstream economists also tell us that corporations will always purchase products at the lowest possible price, bargaining down their input costs where possible through competitive sourcing. Why then would an increasing number of companies, both large and small, willingly participate in a system where they must pay a price negotiated by a third party, well above the conventional price, for products that are produced under Fair Trade standards?" (2007, 3). By being an answer to these questions, the Fairtrade system offers a blueprint for a model of change.

The final argument in favour of seeing the Fairtrade system as existing together and in order to change the market is connected with the "free" vs. "fair" trade debate. A number of points regarding this debate in general were already discussed when the neoliberal critique was presented, but in this section, I will focus on its narrowest understanding connected with two direct barriers to free trade. Therefore, I will discuss the agricultural subsidies and tariff systems present in the contemporary global economic system and compare them with the Fairtrade theoretical positions and practical work.

I will start the discussion by putting forward the issue of agricultural subsidies. Stiglitz and Charlton discussing the double-standards and illogicality of the contemporary global economic system stated that there is a "bizarre position of giving the developing world \$100 billion in aid every year, but costing them three times as much in protectionist trade policies" (2007, v).

The cotton industry is a very illustrative example. In 2005, the US government gave \$4.7 billion to 25.000 of its cotton farmers. The full scale of impact of these funds, which are generous even in absolute terms, becomes evident when compared with other figures, since the US cotton subsidies were larger than all US aid to Africa (Lamb 2008, 85). The full incoherence of the system is completely revealed when the European Union's subsidies for Spanish and Greek cotton farmers are added into analysis because, per field, they are even higher than the ones in the US. In contrast to the paradigm of neoliberal economic orthodoxy, which allegedly promotes free trade principles, is the fact that the small-scale cotton farmers in developing countries are among the most efficient in the world - "...they can grow cotton for less than a third of the cost of their high-tech, large-scale counterparts in the US" (Ibid.). Unfortunately, they cannot do that because developed countries are using the subsidies, thus undercutting other producers and pushing down the world prices. Therefore, the former Indian Minister for Commerce and Industry, Kamal Nath was right when arguing that "India's cotton farmers are not competing against US cotton farmers. [They] are competing against the US Treasury" (in Lamb 2008, 86).

Interconnected with agricultural subsidies are the second barriers to free trade - the tariff systems, which go directly against the neoliberal orthodoxies. Although the prevailing rationale is that the developing countries are primarily the ones that have to open for trade, the following data show a more complex picture. Firstly, tariffs between developed countries are three to four times lower than the ones facing developed countries when trading with them (HDR 2005 in Schmelzer 2006). According to the same report, especially problematic is the fact that they rise significantly from basic commodities to value-added products. The example of cacao trade is very illustrative. For cacao beans the tariffs are 0 percent, for cocoa paste, they are 9 percent and for chocolate they are 30 percent (Ibid.). This led to another bizarre situation in which a cacao non-producing country, Germany, is the global leader in value-

added cocoa liquor and powder production. Although the neoliberal orthodoxy can claim that this is due to the fact that Germany has superior production capacities, the Fairtrade system puts forward arguments that this is actually due to tariffs (Schmelzer 2006).

Therefore, I argue that, at least today, the "fair versus free trade" dilemma is a false one, because poor and marginalised producers under the current global economic system are not experiencing "free" trade. Therefore, the Fairtrade system is not aiming to change their free trade experience with fair trade experience, but to challenge the contemporary global economic system's operation which is based on agricultural subsidies and trade barriers, full of double-standards, hitting hardest the poorest and the weakest around the globe.

Conclusion

In order to present arguments why I consider the Fairtrade system to exist together and in order to change the market, I firstly presented the system itself, together with its benefits and one of its main aims - to influence the contemporary global economic system. Furthermore, I presented two critiques - neoliberal and radical - as well as answers to them, putting forward arguments why the perspectives seeing the Fairtrade system either as "in" or "against" the market are too narrow. Moreover, I presented three papers which inspired me to search for alternatives - Schmelzer (2006), Low and Davenport (2006) and Doherty and his colleagues (2013) - and offered four reasons why I see it in a novel way. These reasons are the fact that the Fairtrade system has to grow, that it is necessary for it to enter the mainstream at some point, that it is based on global value chains, however, aiming for relational ones and finally, its *modus operandi* is against narrowly understood barriers to trade. Therefore, I put forward arguments why it co-exists and constantly strives to initiate evolution of the very market in which it operates.

Endnotes

1. Note: This is a working, draft document and the author retains exclusive copyrights.
2. See more about the critical analytical approach in Matthews and Ross (2010).

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