What’s Fair About Fair Trade?

written by Riad Azar | January 20, 2015

The idea of “voting with your pocketbook” is giving rise to a new global movement of ethical consumption. Industrial capitalism and its ills, it is thought, can be redeemed through personal consumer choices. “If only I bought the *biodegradable* bag of potato chips,” one may think to oneself watching a column of waste management vehicles pass on their way to the dump.

Political economist Ndongo Samba Sylla—a Senegalese researcher for the Rosa Luxemburg Foundation—seeks to understand the phenomenon of capitalism with a human face by probing one of its prized institutions: fair trade. His book, *The Fair Trade Scandal*, is a meticulously argued exploration of the fair trade movement, its economic effects in both the Global North and South, and how it lives up to its own goals. *The Fair Trade Scandal* is not an attack on fair trade, but rather an attempt to draw out the contradictions of the movement by critiquing what its own protagonists claim the movement produces: namely, an alternative to neoliberal globalization (147).

Sylla opens the book with a brief summary of why fair trade efforts exist by analyzing the theoretical claims of market liberalization. Free and open markets, as has been argued from Ricardo to Friedman, are pathways to prosperity regardless of the counter evidence offered by the economic history of developed countries. By introducing the book with this discussion, Sylla shows that international trade is never about *laissez-faire*, but that free markets in themselves are a power relation. What Sylla calls “Asymmetric Game Rules” (31) force the least developed countries (LDCs) to specialize in products that will keep them impoverished—such as agriculture and the export of raw materials—while the governments of the Global North go back on their word and subsidize industries, dumping the surplus on the global market. The organizations that laid the ground work for the modern fair trade movement found their voice in challenging this unequal exchange, and sought to pave the way for a more democratic globalization.

Recounting the history of the fair trade movement shows the internal tensions that existed among the actors. The movement initially drew on solidarity economics that originated within the school of dependency theory—and promoted direct trade between the North and South based on social justice—but by the 1980s had become a labeling initiative. Sylla correctly magnifies the unspoken relationship that exists between marketing the “fair trade” label and global neoliberal economic reforms.

Three levels of analysis—the global level, the North, and the South—are introduced to show the economic field within which fair trade was operating as a result of neoliberal reforms. Globally, institutions that regulated North-South trade had eroded. In the North, the agro-industrial complex became increasingly oligopolistic, and value chains—the steps that a particular industry takes in transforming raw material into a finished product for sale on the market— crowded with middlemen looking for a cut of the pie. The South saw a period racked by economic crisis and a shrinking regulatory state within the agricultural supply chain. As Sylla summarizes, “Fair trade took advantage of a relative institutional void to take over a global political space” (43). With the state out of the picture, the labeling initiative was able to stand as a testament to the ethical consumer: “Buy me and you too can save the world.”

Fair trade as label poses interesting theoretical problems, a few of which Sylla takes on. The first is that of commodity fetishism, what Marx described as the social hieroglyphic that obscures the exploitive relationships between capitalists and workers. According to Marxist theory as laid out in

Capital, an object begins to be fetishized when it emerges as a commodity with an attached price. Consumers believe that the commodity itself somehow possesses value, without recognizing the labor power of the worker which makes possible the commodity's existence. Sylla advances this analysis by arguing for the emergence of a further fetishism of the *ethical* product, what he calls "the commodification of sustainability" (57). Not only do consumers neglect the production process, they believe that they are helping to guarantee the worker behind the process a better life. He summarizes, "Given that 'ethical' consumers ignore these assumptions of the FT economic model, they tend to believe, wrongly, that fair trade challenges or subverts the existing price system; this false belief feeds on the mystifying shroud of marketing communication and is the basis of a new form of fetishism" (88). Fair trade works within the same logic as free trade.

To lay bare the "assumptions of the FT economic model," Sylla focuses on empirical data to demonstrate the problematic nature of the case studies that fair trade supporters rely on to support their positions. His critiques focus around the price theory of fair trade, which he argues is no different than that of free trade. Producers in the Global South require a fair trade certification in order to access fair trade markets in the North. Consumers in the North make an active choice to support products with the label, and pay a small fee factored into the price for the privilege. The problem is that fair trade producers have no guarantee that their products will be sold according to the higher price. In fact, Sylla argues that only a portion succeed, leaving surplus produced under fair trade guidelines to be dumped into the common market and sold according to market prices. His data shows that when factoring in the cost of certification—and considering the losses that are encountered when dumping takes place—fair trade producers' gains are negligible. Data used by fair trade protagonists to argue their cause, Sylla claims, suffers from severe methodological problems of selection bias. He hypothesizes that producers who benefit from fair trade already have "significant organizational predispositions, a certain 'social capital' and regular access to FT markets" (119).

Sylla points to how—adding insult to injury—most of the value added through the fair trade process remains in the developed world. When comparing the amount of fair trade sales in the United States in 2008, an estimated $1.1 billion, with the $34.7 million of additional income for the South—that is, income above the market price—one concludes that every dollar paid by consumers in the North results in only 3 cents of additional income for the South. While he admits that he does not have the data to observe how much more consumers are paying for fair trade products, he reasonably assumes that the added cost is higher than 3 cents, leaving one to wonder which intermediaries along the supply chain are reaping the benefits.

How could a movement that was envisioned to help the poorest end up in such a mess of ideology? Sylla's conclusions focus around the misconceptions regarding poverty that are promoted in the neoliberal era. Fair trade focuses on agriculture, while history shows that poverty is reduced via economies that focus on the export of manufactured products and diversification; the agricultural production of most LDCs is for subsistence. Fair trade fails to consider the issues around the commodification of labor, leaving most farmers who suffer a bad year to suffer at the hands of the market without any social protection. Finally, fair trade is seen as an alternative to neoliberal globalization, while it is more correct to understand fair trade as being in a dialectical relationship with neoliberalism. "On the one hand, it needs the neoliberal market system to attract the economic resources necessary to occupy a comfortable position in the concert of alterglobalist voices. … On the other … it needs its destructive support" (141).

Fair trade is an ideological veil rationalizing the free market. While the movement has gained significant success in the North through suave media and marketing, the impact in the South has been insignificant or non-existent. Due to the lack of a solid understanding of why poor countries are poor, while working within the economic framework that cements relationships of domination, fair

trade cannot serve as an equalizer, less still as a guarantor of social justice. Sylla doesn’t call for what is really needed—international socialism—but he urges adoption of the crucial reforms won over the years by the global labor movement: stabilizing prices, enhancing food sovereignty, refocusing agriculture to meet domestic concerns, and so forth. Anything short of these measures, which work to transform social relations of production, plays into the hands of those who are a part of the problem. The ills of contemporary global society cannot be solved with personal consumer choices.