

The Fair Trade Network in Historical Perspective*

Gavin Fridell

ABSTRACT — *This paper examines the fair trade network within the context of the post-war international development regime. In recent years, sales of fair trade goods — both commodities and handicrafts — have grown substantially in Europe and North America, and the fair trade network has been relatively successful at gaining the support of public institutions, international financial institutions, and transnational corporations. This paper argues that this success, when viewed historically, can only be properly understood as the flip side of the defeat of the broader fair trade movement that sought international market regulation and strong state intervention and is in fact indicative of the current triumph of neoliberal globalization.*

RÉSUMÉ — *L'article examine le réseau du commerce équitable dans le contexte du régime de développement international d'après-guerre. Ces dernières années, la vente des biens produits pour le commerce équitable — marchandises et objets d'artisanat — a connu un grand essor en Europe et en Amérique du Nord. Le réseau du commerce équitable a relativement réussi à gagner le soutien des institutions publiques, des institutions financières internationales et des entreprises transnationales. D'après l'article, une fois situé dans une perspective historique, le succès remporté ne peut qu'apparaître comme l'envers de la défaite du mouvement plus large de commerce équitable qui cherchait à obtenir une réglementation des marchés internationaux et une forte intervention de l'État. Il révèle, en fait, le triomphe actuel de la mondialisation néolibérale.*

INTRODUCTION

It is well known that for many years I have fought in ECLA and UNCTAD for the basic elements of [a] new international economic order. I have regarded these as the means not simply of maintaining the existing order, but of fundamentally transforming it (Prebisch 1980, 26).

—Raúl Prebisch, Former Executive Secretary of ECLA
and former Secretary-General to UNCTAD, 1980

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...few people in the South believe in market liberalization under WTO-patronage. At the very least, such liberalization has to be transparent from producers to consumers, in open markets with sound competition (FLO 2001, 2).

—Paola Ghillani, FLO President and
director of Max Havelaar Switzerland, 2001

Over the past few decades the fair trade network has emerged as a significant development project that seeks to address underdevelopment in the South by challenging the unequal terms of exchange for Southern handicrafts and commodities. Generally speaking, goods are certified as fair trade by fair trade umbrella organizations if they are exchanged under the terms of a minimum guaranteed price and are produced in a manner deemed to be in line with the principles of democratic organization, no utilization of child labour, recognized trade unions for workers, and environmental sustainability. While little systematic empirical work on fair trade has been carried out, the evidence that does exist reveals that the network has the potential to provide much-needed higher income, technical advice, and social and physical infrastructure for hundreds of thousands of Southern partners worldwide. In recent years, a small but growing body of literature on fair trade has emerged that has begun to assess the network's potential for poverty alleviation, local capacity building, and North-South solidarity (LeClair 2002; Raynold 2002; Renard 1999; Simpson and Rapone 2000; VanderHoff 2001; Waridel 2002). Most authors, to varying degrees, depict the fair trade network as an innovative challenge to neoliberal globalization and view the growth of fair trade sales as a small but important victory in the struggle against market deregulation, social spending cuts, and the assault on labour rights imposed by neoliberal reformers. However, this paper contends that the depiction of the fair trade network as a victory against neoliberal globalization fails to situate the network historically within the broader context of post-war development. A historical perspective reveals that the growth of the fair trade network has in fact been indicative of the current triumph of neoliberal globalization, which has imposed on the network a voluntarist, nonstatist development strategy while at the same time defeating the broader fair trade movement and its vision of a regulated international market with strong state intervention.

Little has been done to situate the fair trade network within a broader historical context. An important exception to this is the work of Michael Barratt Brown (1993), which does not include an analysis of the key reorientation of the fair trade network that began in the late 1980s.

This paper examines the history of the fair trade network in four parts. Part one offers a brief history of the broader fair trade *movement*, which has had significant influence in development circles since the end of the Second World War and has set the context within which the fair trade *network* emerged. This unofficial movement — lead by various Southern governments, international organizations, and NGOs — has sought to use market regulation to protect poorer nations from the vagaries of the international market and the unchecked power of the rich nations and giant corporations in the North. Part two assesses the first phase of the fair trade network, from the 1940s to the early 1980s, during which time the network developed and drew from the broader fair trade movement an emphasis on combating unfair commodity prices and attaining “trade not aid,” as well as a commitment to a vision of an alternative international trading system with strong international market regulation. Part three describes the second phase of the fair trade network, from 1988 to the present. During this phase, the broader fair trade movement lapsed into decline under the weight of neoliberal reforms while the fair trade network abandoned its earlier vision and reoriented itself toward a more voluntarist and nonstatist development model. This sparked a period of unprecedented sales growth for the network. Part four assesses the limits of the fair trade market and criti-

cally examines the role of transnational corporations (TNCs) and public institutions, which have turned increasingly toward supporting the fair trade network to mask their devotion to a broader neoliberal agenda. Through this historical examination, it is concluded that the expansion of the fair trade network has been, somewhat ironically, an outcome of the current triumph of neoliberal globalization and the decline of the broader fair trade movement.

I. HISTORY OF THE FAIR TRADE MOVEMENT

The fair trade *network*, which connects peasants, workers, and craftspeople in the South with partners in the North through a system of rules and principles, has been part of a broader, unofficial fair trade *movement*. The origins of the fair trade movement can be found in various attempts to control international commodity markets during the inter-war period, 1918 to 1939. These emerged to combat a rapid decline in the price of primary commodities — copper, tin, rubber, coffee, wheat, sugar, and cotton — in relation to secondary, manufactured goods produced in advanced capitalist countries in the North. They were generally conducted by the colonial powers in Europe, who sought to stave off general disorder and the possible collapse of the international trading system, as well as to protect the profits of colonial companies and the stability of colonial economies overseas. The decline in commodity prices was due to an overall decline of demand in the North caused by a global economic recession, the development of substitutes for primary products, and an expansion of capacity by Southern producers for goods whose markets were already saturated (Furtado 1976, 50–57). Throughout the 1920s and 1930s a series of control schemes was established for primary commodities that generally involved restricting output and stockpiling to keep commodities off the market and raise prices. In most cases, these schemes failed because the higher prices that resulted merely encouraged new producers to enter the market or led to intensified efforts to develop more substitutes in the North. Moreover, while these schemes did manage to keep prices up, they did so only at the expense of limiting overall production (Barratt Brown 1993, 79–87).

The Second World War (1939–1944) brought some relief to commodity producers in the South. The war reduced primary production in Europe, East Asia, and parts of Africa, resulting in a temporary rise in the price of primary commodities in relation to manufactured goods. In 1944, the Allied powers met in the United States at Bretton Woods to initiate negotiations for agreements that would lay the basis for the international trade and development regime of the post-war era. Most of the participants at the negotiations viewed the inter-war system, based on protectionism and “beggar-my-neighbour” trade policies, as having been responsible for the economic chaos of the 1930s and the rise of fascism and militarism. Thus, they sought to create a new international order based on a stable monetary system and liberal trade regulations.

The Bretton Woods system that emerged from the negotiations was based on a payment system and exchange rate mechanism pegged to the American dollar, a fixed American dollar–gold convertibility, and international co-operation to control short-term financial flows. Two key public institutions were formed to oversee the system: the International Monetary Fund (IMF), designed to provide short-term loans for countries with balance of payment difficulties, and the International Bank for Reconstruction and Development (the World Bank), designed to provide long-term financing for development projects. In addition, the General Agreement on Tariffs and Trade (GATT) was established to achieve the reduction of trade barriers through a series of negotiated rounds.

While the Bretton Woods negotiations were designed to remove the protectionist barriers of the past, the strategy of using some form of market regulation to protect weaker nations from the vagaries of the international market was not abandoned. During negotiations for the GATT in

Havana, Cuba in 1947 the Havana Charter was adopted, which laid the basis for commodity control agreements to be conducted under the auspices of the United Nations (UN). Unlike previous commodity control schemes, which had focused on restricting production, the Havana Charter proposed the interventionary use of buffer stock that could be built up in times of surplus production and run down in times of shortages. The Charter stated that, at the request of member states, the UN was to establish study groups and convene intergovernmental conferences to draw up commodity control schemes. All member states that were producers or consumers of a given commodity were to be allowed equal voting power on commodity councils, the terms of an agreement had to be published in full and not last longer than five years without renewal, increases in output were to be afforded to the most efficient producers, and all agreements were subject to UN review (Barratt Brown 1993, 87–89).

Following the wartime boom, the 1950s witnessed a major decline in the price of nearly all primary commodities, which resulted in calls for new commodity control schemes to be drawn up under the principles of the Havana Charter. International agreements were reached for nearly all major commodities and were most firmly established for commodities with a low demand elasticity, such as wheat, sugar, tin, and coffee. In general, these agreements failed to increase the export earnings of nations in the South for a variety of political–economic reasons. The sugar agreement collapsed in the 1960s after the United States unilaterally boycotted Cuban sugar. The tin agreement fell apart in the 1980s due to a global decline in demand for tin. The coffee agreement was not renewed in 1989 because Brazil and the United States could not agree on prices and export quotas. The wheat agreement failed to provide higher prices and market opportunities for Southern nations due to protectionist policies and dumping practices in North America and Western Europe (Barratt Brown 1993, 89–92; Furtado 1976, 215–218).

The widely perceived failure of commodity schemes to bring increased export earnings to Southern producers resulted in the first United Nations Conference on Trade and Development (UNCTAD) in 1964 (Furtado 1976, 221). At the conference, resolutions were passed by a substantial majority of nations in favour of a greater transfer of wealth from the North to the South through aid, compensation, and, most importantly, fairer trade. The strategy for attaining fairer trade focused on two key demands. First, Southern nations wanted the rich nations in the North to weaken their protectionist policies — tariffs, import controls, levies — which they asserted prevented primary commodity producers from developing the value-added, processing stages for primary goods. Second, Southern nations demanded that financial aid provided by the IMF be replaced by a system of subsidies for primary producers. The slogan that accompanied this demand, “trade not aid,” would also become the slogan of the fair trade network. In the end, as UNCTAD was required to work by consensus, nothing substantial was accomplished. Representatives from the North voted against or abstained from every key resolution. UNCTAD itself, however, was established as an important forum and research body for information and ideas on fair trade (Barratt Brown 1993, 92; Furtado 1976, 221–224).¹

A key concept that UNCTAD played a central role in promoting was that of “unequal exchange.” The theoretical foundations for this concept were first laid out by economist Raúl Prebisch, the Executive Secretary of the Economic Commission for Latin America (ECLA) (1948–1962), the found-

1. Improved access to Northern markets for primary commodities was the main concern for UNCTAD in the 1960s and 1970s as primary commodities were the major source of foreign exchange for most Southern nations. However, an important secondary consideration was market access for manufactured goods, which it was hoped would spark further industrialization in the South. See Furtado 1976, 222–223.

ing Secretary General of UNCTAD (1964–1969), and the founder of the Latin America structuralist school.² Prebisch challenged the Ricardian notion of comparative advantage, which asserted that each nation had an economic advantage over other nations for the production of certain goods. Proponents of Ricardo's theory held that if each nation were to focus on producing the goods for which they had a comparative economic advantage, it would be to the relative benefit of all nations. Thus, if the South continued to produce primary goods for which they allegedly had a comparative advantage, and the North continued to produce manufactured goods, everyone would benefit from North–South trade. Against these arguments, Prebisch asserted that this trade arrangement worked to the benefit of the North and the detriment of the South due to the unequal exchange caused by the relative deterioration in the prices of primary products in relation to manufactured goods over time. This was a result of the market forces of supply and demand, which were influenced by the relative income inelasticity of primary goods in relation to manufactured goods, the replacement of raw materials by industrial substitutes, and the declining ratio of raw material output to industrial output. In addition, Prebisch added that the relative emancipation of labour movements in the North had pushed up the prices of Northern goods in relation to Southern goods where labour was generally not emancipated (Hoogvelt 2001, 40–41; Hunt 1989, 47–51; Prebisch 1950, 1980).

The concept of unequal exchange was further developed by the proponents of dependency theory, which rose to the fore of radical development thinking in the 1960s and 1970s. Dependency theorists argued that the world capitalist system had existed since the 16th century and was divided into First World, imperialist nations in the North, and Third World colonies and neo-colonies in the South. The everyday operations of the world capitalist system resulted in a transfer of the surplus wealth produced in Third World nations to the First World nations where it was consumed or invested in production. This situation, they asserted, was due to unequal exchange that stemmed from the legacy of colonialism that had compelled Third World nations to develop in a manner dependent on the export of a few primary commodities to markets in the North. As a result, Third World nations were reduced to a state of dependence on First World countries for technology, capital, and markets, in a manner that restricted and distorted their national development. Most dependency theorists viewed the gap between North and South as insurmountable under the existing terms of trade. Thus they argued that Third World countries needed to make a radical break with the world capitalist system, either through strong state intervention in the market or, in the most radical circles, through de-linking from the world capitalist system entirely.³

In the 1970s, the ideas put forward by Prebisch and dependency theorists had a significant influence on Southern governments, many of which pursued policies based on economic nationalism, self-reliance, autonomous development, and de-linking. In numerous negotiating forums

2. Some structuralist theorists, especially Celso Furtado (1976), are frequently grouped with dependency theorists. The essential difference between the two is that structuralists have generally accepted that development could happen through capitalism, whereas dependency theorists have argued for social revolution and withdrawal from the international capitalist system. By the 1970s, Furtado had become increasingly cynical that development in the South could occur through capitalism, but fell short of advocating for social revolution. See Hunt 1989, 50–51, 208–210.

3. For concise examples of the work of key thinkers in dependency theory, see Andre Gunder Frank (1972), Immanuel Wallerstein (1974), and Samir Amin (1977). Fernando Henrique Cardoso and Enzo Faletto (1979) differed from these theorists in that they argued that “associate dependent development” could still occur in the periphery without a radical transformation of the world economy. For a critical assessment of dependency theory, see Anthony Brewer 1990, 161–199. Dependency theory has been criticized for many things, including its emphasis on external relations at the expense of national social relations of production. It could be argued that the proposals of the fair trade movement have failed in the long-term because they have not been accompanied by social transformations at the national and local level required to challenge capitalism and its imperatives of competition and accumulation. See Barratt Brown 1993.

Southern nations demanded more secure prices for primary commodities, preferential access to domestic markets in the North for infant industries in the South, reforms to the international monetary system, generous new aid flows, and codes of conduct for TNCs. These demands became enshrined in the UN Programme of Action for the Establishment of a New International Economic Order (NIEO) (1974) and the UN Charter of Economic Rights and Duties of States (1976) (Hoogvelt 2001, 41–42).

In addition to these broader demands, UNCTAD continued to push for fairer terms of trade in international commodities markets. At the 1976 UNCTAD meeting, a proposal for a common fund to finance international commodity schemes, part of a proposed Integrated Programme for Commodities (the Corea Plan), was accepted in principle by member nations. UNCTAD also promoted the development of compensatory finance schemes (CFS). Under such schemes, producers would receive compensation for deviations in the market price if it were to drop below an agreed-upon level. The most notable example of this is the STABEX agreement, adopted by the European Community in the early 1970s to compensate its ex-colonies under the terms of the Lomé Conventions. Since its formation, STABEX, while frequently failing to meet its full obligations, has provided much-needed price subsidies for poor producers in the South. However, it has also encouraged producers to remain dependent on growing primary commodities for saturated markets in the North (LeClair 2002).

While the 1970s were the pinnacle of the fair trade movement, the 1980s saw its derailment as states and international financial organizations turned away from policies of government intervention and market regulation, and turned toward neoliberal policies bent on the downsizing of the state and the removal of national and international capital controls (Leys 1996). Under the weight of neoliberal reforms, the political consensus upon which the NIEO and the Charter of Economic Rights and Duties of States had been constructed dissolved and they became defunct. It took 13 years to gain the required support and financial pledges to initiate the common fund of the Corea Plan, by which time only two relatively inactive international commodity organizations were still in operation (Barratt Brown 1993, 93–95). At the end of 1994, the GATT agreements were ratified at the Uruguay Round and the World Trade Organization (WTO) was formed to police and promote deregulation and market liberalization among its more than 120 member states. In 1997, the WTO determined that STABEX violated its uniformity of treatment clauses and as such it is destined to be replaced by a system of direct grants (LeClair 2002). Yet, while the 1980s and 1990s were decades of decline for the fair trade movement in general, they were decades of rapid expansion for the fair trade network. After years of slow but steady growth from the 1950s to the 1970s, the fair trade network boomed in the late 1980s and has attained unprecedented sales in the era of neoliberal globalization.

II. THE FAIR TRADE NETWORK: PHASE ONE, 1940S–1988

The fair trade network was significantly influenced by the broader fair trade movement, which set the context within which it evolved. From the movement, the fair trade network drew an emphasis on combating unfair commodity prices and on attaining “trade not aid.” Moreover, during the first phase of its history the network was influenced by dependency theory, its critique of the world capitalist system, and its emphasis on the need to develop alternatives to the existing system. Convinced by dependency theorists that the world capitalist system was incapable of providing developmental benefits to the poor majority in the South because of the mechanism of unequal exchange, fair traders aspired to create a parallel trading system that would open alternative markets for Southern products. In these alternative markets, prices would not be determined by the vagaries of supply and

demand, but would be formed through a process of negotiation between producers and consumers based on the premise of fairness to all parties.

The multiple origins of the fair trade network can be traced back to the 1940s and 1950s when Christian mission-driven NGOs in Europe and North America began selling handicrafts produced by disadvantaged Southern artisans in direct-purchase projects. In Europe, these efforts were led by Oxfam UK and the Dutch Catholic group Fair Trade Organisatie (originally known as S.O.S. Wereldhandel). In North America, these efforts were led by the Mennonite Central Committee (MCC) (then called the Mennonite International Development Agency), and the Sales Exchange for Refugee Rehabilitation (SERRV) program of the Church of the Brethren. In the 1950s and 1960s, these NGOs developed Alternative Trade Organizations (ATOs) and initiated the import and sale of fair trade handicrafts through mail-order and church solidarity groups. In 1969, the first fair trade “world shop” was established in the Netherlands, which was soon followed by the opening of the MCC’s first SELFHELP (later changed to Ten Thousand Villages) retail store in the United States in 1972 (EFTA 2001a, 2001b, 1995; Littrell and Dickson 1999, 61–112).

Throughout the 1970s and 1980s, the fair trade network grew steadily. In 1973, Fair Trade Organisatie first introduced coffee into fair trade markets in Europe. The turnover of fair trade coffee soon exceeded those of handicrafts and sparked further growth for the network. By the early 1990s, there were more than 60 fair trade importing organizations and thousands of world shops throughout Europe. Oxfam Trading had developed into an organization with 625 shops in the United Kingdom and a retail turnover of \$15.4 million in 1994. Fair Trade Organisatie had grown even larger with a retail turnover of \$24 million in 1994 (EFTA 1995). In North America, the fair trade network grew at a significantly slower pace and remained in the hands of a small number of fair trade ATOs. At the end of the 1970s there were more than 60 SELFHELP stores across the United States and Canada, which doubled to over 120 by the late 1980s. By 1989, SERRV had grown into an ATO with annual sales of more than \$3 million (Littrell and Dickson 1999, 61–112).

The ATOs that developed the fair trade network were motivated by the desire to assist Southern partners in their immediate needs and to lay the groundwork for a new international trading system.⁴ Perhaps one of the clearest examples of the ideas that were prominent in the fair trade network during its formative decades is provided by the work of Michael Barratt Brown, the Founding Chair and Trustee of Third World Information Network (TWIN) and Twin Trading Ltd., a fair trade organization in the United Kingdom that has played an important role in promoting fair trade. In his work, Barratt Brown draws explicitly on the concepts of dependency theory and argues for the need to expand the fair trade network to combat underdevelopment in the South, which he asserts stems primarily from unequal exchange (Barratt Brown 1993, 23–43). He argues that fair trade can provide important solutions to the causes of unequal exchange by giving Southern producers greater access to technology, education, credit, and value-added processing and storage facilities, while at the same time protecting them from the whims of the global market through guaranteed prices, strict labour standards, and bonds of solidarity between producers and consumers.

Yet, while asserting that the fair trade network is key to confronting underdevelopment in the South, Barratt Brown argues that its benefits can only be broadened and sustained if it is combined with strong international market regulation. In an unregulated global market, he argues, giant TNCs will always be able to profit through speculation and market manipulation, while small producers

4. For examples of fair trade ATOs that have had to significantly modify their earlier vision of an alternative trading system, see the accounts of Ten Thousand Villages and SERRV in Littrell and Dickson 1999, 61–112.

will always suffer the most as a result of the unpredictable market swings caused by these actions. Consequently, Barratt Brown proposes a model for a new economic order composed of democratically controlled state marketing boards, with grassroots control at all levels, and direct links between Northern consumers and Southern producers. Central to his vision is an alternative trade clearing union, designed to address Southern countries' lack of access to hard currency and credit needed to diversify and develop trade. The clearing house would make multiple deals between Southern countries in cases where direct exchanges would not satisfy any one country. Fair trade standards, green consumerism, and consumer-producer unions would be essential to promote the rights of workers and consumers. The final outcome would be a decentralized economy based on "a parallel trading system and an alternative trade network within that system growing up side by side with the present organisation of world trade by giant companies" (Barratt Brown 1993, 134).

Since the late 1980s, the fair trade network has undergone a significant reorientation to meet the demands of the capitalist market and neoliberal reformers and most fair traders and fair trade analysts have, to varying degrees, departed significantly from Barratt Brown's vision of a new economic order. Two key aspects of Barratt Brown's work have been left behind. First, most fair traders have abandoned his focus on the nation-state as a primary agent in development, which derives from dependency theory's focus on the goal of national self-sufficiency. To Barratt Brown, a democratically run, interventionist state is required to regulate the economy both internationally and domestically; to provide much needed infrastructure, credit, and technology to domestic producers; and to co-ordinate various sectors within a national economy to ensure diversification and a degree of self-reliance. In contrast to this, most fair traders now focus on NGOs as the primary agents of development. The state is viewed as having the potential to provide benefits to fair traders through the provision of such things as basic social welfare, protection for weak sectors of the domestic economy, and labour and environmental legislation, but its role is generally viewed as subsidiary, not central, to the fair trade network (Bolscher 2002; VanderHoff 2002, 2001). An important exception to this is Oxfam International, which continues to lobby for such things as international commodity agreements and state-enforced social and environmental standards while at the same time promoting the fair trade network's non-statist project (Oxfam International 2002a, 2002b).

The second key aspect of Barratt Brown's analysis that has been sidelined by most fair traders is his focus on creating a parallel trading network that presents itself as a distinct alternative to the existing global market. In his work, Barratt Brown argues against the concept of de-linking promoted by some dependency theorists because of his assertion that Southern nations require access to Northern technology. However, he is convinced of the need to break to some degree from the global capitalist system and develop an alternative model for a new international trade system that, in the long run, aspires to be free from the pressures imposed by profit-driven TNCs and the imperatives of the capitalist market. In contrast to his vision, over the past two decades, fair traders have moved increasingly toward attempting to reform the existing trade system rather than forging an alternative to it.

This reorientation of the fair trade network stems from two broad factors. First, the political economic and ideological conditions under which fair trade was originally constructed have changed dramatically with the rise of neoliberal globalization. Neoliberal structural adjustment policies have essentially halted development projects based on international market regulation and strong state intervention. This has been combined with the perceived failure of all post-Second World War development models in the South and the fall of Soviet-style communism, which has brought about an "impasse" in development thinking as academics and NGOs seek to formulate new projects that attempt to confront and, in many cases, conform to the new political economic conditions created by

the globalization of capital. To a great extent, the fair trade network's readjustment has occurred in response to these global trends.

Second, the reorientation of the fair trade network also stems from the imperatives of the capitalist market. Constrained by the goal of forging an alternative trade network, the fair trade market had remained too small to provide the sales that its Southern partners required to survive. The growth of the network was hindered by lack of access to consumers, the limits of volunteer labour, poor marketing formulas, and public perceptions about the poor quality of fair trade goods. In response to these limitations, fair trade organizations reoriented themselves toward gaining access to mainstream markets that they hoped to reform (Renard 1999; Waridel 2002). To do this, fair traders stepped up their efforts at consumer research, marketing strategies, and quality control. Most importantly, in 1988 the independent labelling initiative Max Havelaar was founded, which sought to expand the market available to fair trade commodity producers by dealing directly with conventional TNCs in the North.

III. THE FAIR TRADE NETWORK: PHASE TWO, 1988–PRESENT

The Max Havelaar Foundation⁵ was founded in the Netherlands in 1988 in response to arguments made by Southern fair trade partners about the need to gain access to “real markets” (Bolscher 2002). The objective was to promote the fair trade label and its mission, and offer it to conventional importers who met Max Havelaar's standards in exchange for a certification fee. Conventional importers would be encouraged to participate in fair trade because of the “added value” the fair trade label — injected with symbolic social meaning — would give them on the market (Renard 1999, 484). After its original formation, the fair trade labelling movement spread quickly so that by the late 1990s there were 17 national initiatives (NIs) throughout Europe, North America, and Japan, variously under the names of Max Havelaar, TransFair, or the Fair Trade Foundation (FTF). Since 1997, these NIs have been co-ordinated under the umbrella group Fairtrade Labelling Organisations International (FLO), headquartered in Bonn, Germany (FLO 2001).

As of 2001, FLO had international fair trade standards and labels for seven commodities: coffee, cocoa, honey, and cane sugar (all four of which are produced primarily by small producers organized into marketing and processing cooperatives); and tea, bananas, and orange juice (which are produced either by small producers or large plantations with hired labour) (FLO 2001). FLO-certified goods are exchanged under the terms of a minimum guaranteed price and include “social premiums” paid by the buyer to producer communities for the development of social and physical infrastructure such as hospitals, schools, and roads. The price is determined taking into account both the demands of Northern markets and the requirements of Southern producers to recoup their production costs and make sufficient profit to cover their daily needs (Waridel 2002, 65).⁶ Thus, while prices must be high enough to ensure fair trade's objectives, they cannot be so high as to scare off ethical consumers in the North, confined by what sociologist Marie-Christine Renard has referred to as the “difficult compromise between ethical principles and the market” (Renard 1999, 497).

FLO has strict labour standards, based on the International Labour Organization (ILO)

5. Max Havelaar is named after the hero of a Dutch novel who denounced the treatment of Indonesian coffee planters under colonial rule. See Multatuli 1987.

6. In addition to the price guarantee, Southern partners can request an advance, partial payment of up to 60% of the contract price prior to harvest to assist them in their work and limit their need for short-term loans.

Conventions, to which all of its Southern licensees must adhere. This includes no child labour, no forced labour, freedom of association, collective bargaining for plantation workers, environmental sustainability, occupational health and safety standards, and non-discrimination policies. In addition, fair trade small producer co-operatives must be run by a General Assembly with voting rights for all member families, and fair trade plantations must be unionized and have a democratically elected Joint Body to determine how to use the social premium (FLO 2003).

Along with rules governing production and exchange, FLO has a policy of political neutrality and requires that its Southern partners are “politically independent, and there are sufficient guarantees that the organisation will not become the instrument of any political party or interest” (FLO 2003). This stems from two considerations. First, official neutrality is frequently required to stave off the threat of political violence from the state and local elite. Often such claims are not enough: from 1985 to 1992, 39 members of the Unión de Comunidades Indígenas de la Región del Istmo (UCIRI), a fair trade coffee co-operative in Mexico, were assassinated by local elite coffee traders who viewed the organization as a threat to their local monopoly (Waridel 2002, 71). Second, official neutrality stems from FLO’s “producerist” political philosophy, which places emphasis on the short and medium-term needs of fair trade producers. According to Hans Bolscher, Director of Max Havelaar in the Netherlands, fair trade licensors focus on where their interests lie: with their producers. FLO will either ignore or co-operate with a given state depending on its willingness to assist fair traders in their immediate development aims. FLO does not promote any particular vision of what a state should look like, but it tries to get companies, governments, peasants, and workers together — essentially a neo-corporatist strategy — with the common goal of reaching the standards of ILO conventions (Bolscher 2002).

FLO’s eagerness to do business with conventional importers and distributors and gain access to conventional markets has caused some commentators to view fair trade as a subset of ethical business practices, which include such things as “corporate citizenship” and “Codes of Conduct.” However, FLO licensors argue that the goals of fair trade transcend those of ethical business practices, which are generally little more than window dressing and are limited by the minimal desire of corporations to protect themselves from public criticism (Bolscher 2002; FLO 2001). Whereas ethical business practices are profit-driven and top-down, fair trade is focused on long-term developmental aims and the organization and empowerment of marginalized workers and peasants from below.⁷

Since its establishment in 1988, FLO’s strategy has been a relative success and the fair trade label has gained growing popularity among consumers, small-scale importers, and mainstream supermarkets in Europe and, to a lesser extent, North America. Sales of FLO-certified goods grew by 35% from 1997 to 2000. The total retail turnover of FLO-certified goods in 2000 was worth more \$196 million, of which more than \$49 million went directly to producers. This is about 40% more than would have been justified by conventional prices. Consumers in Switzerland have purchased the greatest quantity of FLO-labelled goods (34.8% of the total from 1997–2000), followed by the Netherlands (24.7%), Germany (17.6%), the United Kingdom (9.8%), and the remaining fair trade countries (13.1%). Canada and the United States each accounted for only 0.2% of the total during this period (FLO 2001).

Due to its growing popularity, FLO-certified goods have made some notable inroads into main-

7. Naomi Klein (2000, 428–436) provides an excellent critique of corporate codes of conduct, which she asserts are driven by corporations’ needs to protect their brand image. However, she fails to properly distinguish these top-down codes from fair trade, which focuses on empowering workers and peasants from below (Bolscher, 2002).

stream markets in Europe.⁸ In 2000, sales of fair trade coffee, traditionally the largest fair trade sector, accounted for 3% of the coffee market in Switzerland, 2.7% in the Netherlands, 1.8% in Denmark, and around 1% or less in the remaining fair trade countries (EFTA 2001b, 1995). To meet this demand, FLO had 163 coffee co-operatives on its register, representing 516,544 coffee-producer families out of a total of nearly 25 million coffee-producer families worldwide. Other fair trade sectors have shown similar trends, with fair trade bananas accounting for 15% of the banana market in Switzerland and 4.2% in the Netherlands, and fair trade tea accounting for 4% of the tea market in Switzerland and 2.5% in Germany (FLO 2001).

There are several possible reasons to explain the greater popularity of fair trade goods in Europe as opposed to North America. The relative strength of Christian-based and labour political parties in Europe compared with North America has been essential in gaining the support of public institutions for fair trade. In addition, European consumers are perhaps more amenable to the goals of fair trade because of a greater sense of responsibility for underdevelopment in the South among some sectors of society due to their colonial history, a notion that has been institutionalized through the Lomé Conventions. Another important consideration is the earlier introduction of the FLO system into Europe, which in part explains the lower sales figures in North America. However, since the founding of TransFair Canada (1994) and TransFair USA (1995), fair trade sales have grown rapidly as has typically been the case in previously untapped markets, and it is possible that sales figures over the next few years could reach levels more appropriate to North America's economic weight (Waridel 2002, 99–100).

FLO's rapid growth since the 1980s has been accompanied by the emergence of other fair trade organizations that have also played a key role in promoting its new mainstream orientation. The International Federation for Alternative Trade (IFAT) was formed in 1989 and currently consists of 148 ATOs from 48 countries in Africa, Asia, Australia, Europe, North America, and South America (IFAT 2004). This was followed by the establishment of the European Fair Trade Association (EFTA) in 1990, consisting of 11 of the largest fair trade organizations in Europe, and European World Shops (NEWS!) in 1994, composed of more than 2,700 world shops throughout Europe (EFTA 2001b). These organizations facilitate the co-operation and exchange of information between members on product development, marketing and management strategies, and professional training, and jointly promote fair trade and lobby government for support.

IFAT, EFTA, and NEWS! have focused on a different role than FLO in the reorientation of the fair trade network. Whereas FLO's main objective has been to gain the participation of conventional corporations in the network, IFAT, EFTA, and NEWS! have focused on enhancing the marketing skills and efficiency of existing fair trade ATOs so that they are better able to compete against conventional corporations. They have been at the head of the "professionalization" of fair trade, which has involved ATOs adopting marketing and managerial strategies common to mainstream corporations. Beginning in the 1990s, ATOs have placed greater emphasis on staff training, computerization, better promotional strategies, and new, stylish packaging and storefronts (EFTA 2001b). For some handicraft ATOs, professionalization has involved abandoning their tradition of honouring artisans' indigenous knowledge and artistic skills through limited product intervention in favour of purchasing products based on saleability and suggesting changes to meet market trends (Littrell and Dickson 1999).

8. According to EFTA (2001b, 1995), the total points of sale for fair trade labelled products for Europe grew from 45,000 retail channels in 1994 to more than 63,800 in 2000. One of FLO's greatest successes in this regard has been in the Netherlands, where Max Havelaar labelled products in 2000 were available for sale in nearly 90% of all Dutch supermarkets.

Despite the fact that IFAT, EFTA, and NEWS! have a different focus than FLO, they share the same essential principles and goals. Often their efforts are intertwined. For example, many fair trade ATOS, such as Oxfam UK and GEPA in Germany (both members of IFAT and EFTA), import and distribute commodities certified by FLO. Thus, it is best to view all of these actors as part of the same international fair trade network. In 1998, FLO, IFAT, NEWS!, and EFTA created the informal umbrella network FINE, which in 2001 established a single definition of fair trade. It states:

Fair Trade 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, marginalised producers and workers — especially in the South. Fair Trade organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade (EFTA 2001a).

IV. LIMITS OF THE FAIR TRADE MARKET

The combined efforts of all the actors in the fair trade network resulted in substantial sales growth throughout the 1990s. EFTA estimates that the net retail value of all fair trade products in Europe in 1998 was more than 200 million Euros, representing an increase of over 400% since the early 1990s. In 2001, EFTA put this figure at more than 260 million Euros, an increase of 30% over a three-year period. Of this figure, the net retail value of fair trade commodities certified by FLO represented around 80% of the total net retail value. While these numbers are dwarfed when compared with conventional international trade — in 2001 fair trade represented around 0.01% of all global trade — they represent significant growth within the network itself (Barratt Brown 1993, 10; EFTA 2001a, 2001b).

Despite the rapid growth of the fair trade network it has still not been able to meet the needs of many of its Southern partners. In many cases, Southern organizations are only able to sell a small proportion of their total production on fair trade markets. For example, by one estimate fair trade coffee co-operatives are currently selling on average only 20% of their coffee on fair trade markets, with the remainder being sold on conventional markets at less than half the price (Raynold 2002). Moreover, recently there have been signs that the impressive growth rate for fair trade markets could soon level off.

According to EFTA, while the average annual growth rate in total retail value for its members from 1995 to 1999 was 3.3%, this varied greatly from country to country. In European countries where the concept of fair trade was relatively recently introduced, annual growth rates of EFTA members were substantial: as high as 31% in Spain and 17% in Italy. In these countries, fair trade sales started from a very small base and expanded rapidly. However, in countries where fair trade was well developed, such as the Netherlands, Switzerland, Germany, and the United Kingdom, EFTA members registered sluggish growth, and sometimes even decline and crises. According to EFTA, “This reflects the attainment of a certain threshold level of sales or market shares which then seems very difficult to surpass” (EFTA 2001a, 33–36).

Similar evidence was also reported by FLO in its annual report for 2000–2001. While recording an increase in total sales from 1999 to 2000 for fair trade cocoa and fair trade bananas, other commodities showed signs of slowing sales growth or even stagnation. Sales of fair trade tea grew only by 1.8%, sales of fair trade honey declined by 3.5%, and sales of fair trade orange juice declined

significantly in Germany. Perhaps most alarming has been the declining growth of the fair trade coffee market. Although sales of fair trade coffee grew substantially throughout the 1990s, they did not grow fast enough to match the increase of new coffee co-operatives. In 2000 this matter came to a head as FLO recorded stagnant growth for fair trade coffee and stated that it was reluctant to register any new coffee co-operatives (FLO 2001; Renard 1999, 498).

According to FLO, fierce competition from outside the fair trade network is the primary cause of these trends. The fair trade network has been hit hard by unprecedented declines in the prices of tropical goods and by price wars among giant supermarket chains, which have further increased the gap between the prices of fair trade and mainstream goods, thus damaging fair trade's competitiveness (FLO 2001). This has particularly been the case with the conventional coffee sector, which has experienced a staggering dive in world export prices for specialty coffee since 2000 from around \$1 to as low as \$0.41 per pound, tying a record low set in 1882. The primary cause of this has been global oversupply in the wake of the collapse of the International Coffee Agreement (ICA) in 1989, a commodity control scheme that had provided some price stability. The oversupply has been driven by the rise of Vietnam — encouraged by advice and loans from the World Bank — from an insignificant coffee exporting nation a decade ago to the world's second-largest today. Throughout the crisis, the fair trade minimum price has remained at \$1.26 per pound, which has damaged fair trade's competitiveness but also saved many fair traders from the bankruptcy, mass migration, and hunger experienced by tens of thousands of small-scale coffee farmers worldwide (Oxfam International 2002a).

In response to these global market pressures, fair traders have sought to escalate their efforts to promote fair trade and expand the fair trade market, especially in the United States and Canada. The primary strategy employed by activists has been "buycotting" campaigns. Rather than boycott corporations to force them to adopt fair trade standards, activists have sought to create a demand for fair trade products among consumers and then demonstrate to corporations that this demand exists and can be capitalized on. Perhaps the most notable buycotting campaign has been the one headed by Global Exchange, a San Francisco-based human rights NGO, which compelled Starbucks Coffee, the world's largest specialty coffee roaster, to agree to sell fair trade coffee in its 2,300 stores across the United States in April 2000. After a series of protests and letter-writing campaigns, Starbucks agreed to sell fair trade coffee just three days before Global Exchange had planned to initiate a nationwide protest. The decision of the giant coffee TNC nearly doubled the number of fair trade sales outlets in the United States. It also had spillover effects in other nations and in 2002 Starbucks began offering fair trade coffee in its stores in the United Kingdom and Canada (Waridel 2002, 107–109). Similar pressures have recently compelled other corporations, including Procter & Gamble and Sara Lee, two of the world's largest coffee roasters, and Van Houtte, one of the largest roasters in Canada, to begin offering limited quantities of fair trade coffee.

The growing involvement of giant TNCs in the fair trade network, generally celebrated by fair trade activists (Waridel 2002, 105–106), raises serious concerns about the limits imposed on the network by the imperatives of the market. These TNCs are concerned only with the need to protect their public image for the sake of profitability. For making relatively minor commitments to fair trade (Starbucks only sells around 1% to 2% of its beans certified fair trade), TNCs attain positive publicity, which masks their devotion to a broader neoliberal project. Procter & Gamble and Sara Lee, for example, successfully lobbied the US government to abandon the ICA in 1989 and are currently making huge profits as a result of the global coffee crisis while at the same time showing growing support for fair trade coffee. In addition, the relatively minor commitment of these TNCs is a major one for the fair trade network — Starbucks is now among the largest fair trade roasters in North

America — which promises to give TNCs immense influence on the future direction of the network. At the same time, TNCs may pose a significant threat to the viability of small-scale fair trade ATOS (which generally sell 100% of their beans as fair trade), which lack the formers' financial and marketing resources (Fridell 2004a). These realities have given way to growing controversy within the network. A handful of smaller fair trade coffee roasters in the United States have recently broken with TransFair and aspire to form a new association composed entirely of 100% fair trade coffee roasters (Rogers, 2004).

In addition to boycotting campaigns, fair traders have also sought to expand the fair trade market by gaining the support of public institutions, whose procurement policies can be a significant avenue for increasing sales. This has proven to be the case in Europe. Over the past decade, the EU has passed a series of resolutions in support of fair trade and, presently, all of the European Union Institutions use fair trade coffee, although not exclusively, and some also use fair trade tea. In addition, fair trade coffee is used at an array of national, regional, and municipal institutions throughout Europe, including the office of the President of the Republic and the national Parliament in Germany, and the Scottish Parliament and the House of Commons in the United Kingdom (EFTA 2001a, 2001b).

In North America, the support of public institutions for fair trade has been relatively insignificant, and procurement policies have only recently become a focus for fair trade activists. Much of their energy has been directed at university campuses, where student groups have organized information tables, teach-ins, fair trade coffee tastings, petitions, and letter-writing campaigns to gain the support of campus food services. In the United States, these campaigns have yet to result in a university or college adopting an official fair trade purchasing policy. Yet, there are hopes that the recent success of campus “no-sweat” campaigns, which have compelled more than 100 colleges and universities to adopt anti-sweatshop codes of conduct for trademark licensees, can be extended to include fair trade purchasing policies in the near future. In Canada, in 2002 McMaster University in Hamilton, Ontario became the first university in North America to adopt a no-sweat code of conduct *and* a fair trade purchasing policy that forces all retailers on campus to offer the choice of fair trade coffee (Fridell 2004b). This was followed by the adoption of a similar fair trade code at Trent University in Peterborough, Ontario in early 2004 and activists now hope to compel other universities to follow suit.

Due to the growing emphasis on expanding the public procurement of fair trade, concern has been raised among fair traders over the potential barriers posed to the network's further expansion by the WTO and its Technical Barriers to Trade (TBT) agreement. Under the TBT agreement, many social and environmental regulations are considered obstacles to free trade, and it is possible that fair trade goods may be judged to discriminate against like products on the basis of how they are produced. In response to this threat, FLO has joined with some of the world's leading accreditation and labelling organizations in social and environmental standards in forming the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) (Waridel 2002, 113–114). The primary goal of ISEAL is to gain credibility in the eyes of international trade bodies and demonstrate that its members' initiatives do not pose a barrier to free trade and neoliberal restructuring.

As is the case with the growing involvement of TNCs, the expansion of the public procurement of fair trade also raises serious concerns about the limits of the network. While public institutions in Europe and North America have shown increasing support for the fair trade network, they have also continued to reject the greater demands of the fair trade movement and have pushed forward with neoliberal reforms. This suggests that to these institutions, the fair trade network is increasingly being employed as an “ethical fig leaf” to mask their devotion to a broader neoliberal agenda. Thus,

while the EU institutions and many national and local governments in Europe have thrown their support behind the fair trade network, they have at the same time continued with neoliberal restructuring and have refused to lower high tariff barriers to Southern commodities, a long-standing demand of the fair trade movement. A similar case can be made for universities in North America, which have shown growing support for ethical procurement policies like fair trade and no-sweat codes while at the same time pushing forward with their own neoliberal restructuring. This has entailed the corporatization of the university as administrators have turned increasingly toward relying on TNCs to provide donations, directly fund courses, finance endowed chairs, and sponsor research centres, all of which pose a serious threat to academic freedom. To these institutions, the fair trade network is not being adopted as a challenge to neoliberal globalization but as an ethical fig leaf designed to mask its negative impact (Fridell 2004b).

CONCLUSION

The rapid growth of the fair trade network since the late 1980s can be attributed to its nongovernmental development strategy, which has focused on voluntarism and mainstreaming. It is owing to this strategy that the network has survived and thrived while the fair trade movement has staggered and declined. This has been part of a broader transformation in the international trade and development regime, which has involved the decline of state intervention and market regulation and the rise of neoliberal political-economic agreements and NGO-led development projects. Throughout the 1980s and 1990s, thousands of new NGOs have emerged to fulfil the social welfare and developmental role once played by the state. Many of these NGOs receive funding from official institutions, such as the World Bank, which view NGOs as a non-statist solution to the negative social and environmental consequences of neoliberal reforms (Petras 1997). Thus, in the era of neoliberal globalization, just as NGO-provided health care is moving to the fore of official development discourse in place of state-provided health care, so the fair trade network, with its voluntary, non-statist program, is moving to the fore over commodity control schemes and state-enforced ILO labour standards.

While the growth of the fair trade network has marked the decline of the fair trade movement, the latter has not disappeared and there have even been signs of a potential revival in recent years as Southern governments and NGOs have grown increasingly resistant to the demands of Northern governments and international financial institutions. One of the most important examples of this has been the emergence of a coalition of developing countries, the G20, headed by India, Brazil, China, and South Africa, which derailed the 5th ministerial meetings of the WTO in Cancun, Mexico in September 2003. The G20 has demanded the elimination of Northern protectionist barriers to Southern commodities and an end to Northern agricultural export subsidies (Bullard 2004). Such demands are compatible with both the aims of the fair trade movement and the needs of the fair trade network. Due to such compatibility, Oxfam International continues to actively support both the movement and the network, and sees the network as a stepping stone toward achieving the broader aims of the fair trade movement (Oxfam International 2002a).

However, Oxfam International's vision is not one shared by the TNCs, public institutions, and international organizations that have thrown their support behind the fair trade network over the past few years. To these organizations, the fair trade network represents not a step toward a regulated international market but an alternative to it. Recently, the World Bank, a primary architect of neoliberalism, has begun to take notice of fair trade due to its growing interest in "private (market driven) standards that encourage employers to adopt desirable labour practices," which stems from the bank's desire to combat a growing crisis of legitimacy in the wake of global justice protests (World

Bank 2001, 74). The World Bank has met several times with fair trade representatives, has begun promoting the fair trade network, and has even started serving fair trade coffee at its head office in Washington, DC (World Bank 2002; Zonneveld, 2002). Many fair traders have responded favourably to these moves, and some have felt compelled to disavow the radical aims of the Global Justice Movement, whose participants they have pejoratively referred to as “globaphobes,” in an attempt to present themselves as responsible stakeholders worthy of further consideration at future meetings of the World Bank and the WTO (Bello 2002; Oxfam 2002; VanderHoff 2002). To neoliberal organizations such as the World Bank, as well as TNCs and public institutions in Europe and North America, the fair trade network is a digestible pill to swallow precisely because it is not seen as a radical challenge to the central tenets of neoliberal globalization (Bolscher 2002).

One need not romanticize past attempts at international market regulation to see how the development of the fair trade network’s voluntarist approach has been part of an overall setback for the fair trade movement. CFSS such as STABEX frequently lacked appropriate funding and encouraged producers to continue to grow primary commodities for swamped Northern markets. International commodity agreements tended to encourage increased production or led to the development of substitutes and were based on tenuous alliances between competitive states, which made them subject to eventual collapse. Various proposals for an end to Northern protectionist barriers, enforced ILO labour standards, reforms to the international monetary system, and codes of conduct for TNCs have failed in the wake of strong resistance from rich countries in the North. Nonetheless, despite their weaknesses, these projects did represent a movement toward a model for a new international economic order in which price stability, labour rights, and a more equitable distribution of wealth would be state-enforced and universally applied.

In contrast to the broader vision of the fair trade movement, the fair trade network represents a model that is voluntarist, market-dependent, and member-specific. The prices for fair trade goods and the size of the fair trade market niche (and by extension the number of producers that can get access to fair trade standards) are entirely dependent on the whims of Northern consumers. The need to continually expand market access has compelled fair traders to deal increasingly with TNCs whose interest in fair trade is contingent entirely on corporate profitability and the need to protect their corporate image. To gain the support of these TNCs, along with public institutions, fair traders have had to abandon their vision of an alternative trading system and confine their struggles to the niches of an international market directed by the neoliberal aims of the World Bank, the WTO, and the IMF. Within these confines, fair trade activism has become limited to scrambling for market access in an oversaturated international market; for example, in response to the global coffee crisis initiated by World Bank policies, fair traders have had little recourse other than to encourage TNCs to buy more fair trade coffee. This situation represents a victory for neoliberal reformers, and reveals that the growth of the fair trade network can only be properly understood historically as the flip side of the decline of the fair trade movement and its broader objectives. As such, the future of the fair trade movement, if it is to be a challenge to neoliberalism, lies not in the voluntarist direction of the fair trade network but in struggling to recover the gains of the past.

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