

**The Paradox of Fair Trade**  
By Manel Modelo

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➔ In 2011, a rift opened within the fair trade movement. On one side is a group that emphasizes the interests of commodity producers in developing-world countries. On the other side is a group that targets the needs and aspirations of consumers in the developed world. In this article a longtime leader in the movement reflects on the tensions that have driven otherwise like-minded activists to form rival camps.



# The Paradox of Fair Trade

BY MANEL MODELO



*TRADING FAIR: The owner of a small farm near Matalgapa, Nicaragua, picks coffee (left). A coffee buyer makes a selection at a grocery store on the Upper East Side of New York City (above).*

In 2012, I joined Fair Trade USA as a consultant. Soon after I began my work for the organization, I held a series of workshops with members of its coffee supply chain and producer services team. Among the topics I covered were producer cooperatives, the coffee market, and knowledge management. In these workshops, I often used a version of the Cultural Orientations Framework developed by the executive coaching expert Philippe Rosinski.<sup>1</sup> My goal was to explore how culture—the framework in which we view and interpret what surrounds us—affects how we think, feel, and act.

In one exercise, I sought to help workshop participants understand how their position as observers within a particular cultural framework skews the way they perceive and value “impact”—for example, the impact that the practice of fair trade has on parties that engage in it.

According to Fair Trade USA’s 2011 *Almanac*, the five countries from which the United States imported most of its Fair Trade coffee were, in order, Peru (25 percent), Colombia (12 percent), Honduras (11 percent), Nicaragua (10 percent), and Indonesia (9 percent).<sup>2</sup> I shared those data with people

in the workshop. Then I presented them with a comparable set of data that reflected the perspective of producing countries. This list indicated the scale of Fair Trade exports to the US market in relation to the total production of each country. From one list to the other, the ranking of countries changed. Nicaragua (6.4 percent), for example, moved from fourth place up to first place. More important, the array of countries that appeared on the list changed. Costa Rica placed third (5 percent) and Mexico placed fifth (2.4 percent), whereas Colombia (1.6 percent) and Indonesia (1.4 percent) vanished from the top-five tier.<sup>3</sup>

Suddenly, our impact assessment had changed. Which country, Peru or Nicaragua, benefited more from its fair trade relationship with the United States? What about Colombia, which had gone from second place to sixth-place also-ran status? People in the workshop began to see that “the impact of fair trade” can vary according to how they look at it. Viewing the data from an import- or consumer-based perspective yields one result,

and viewing that information from an export- or producer-based perspective yields a different result. Both perspectives are valid, but only by viewing them together can we arrive at a comprehensive perception of reality.

That simple workshop exercise helps to illuminate what I have come to call *the paradox of fair trade*. The fair trade movement was founded to benefit small producers of coffee and other commodities—most of them located in developing countries of the Global South—by integrating them advantageously into a global export market. Yet as the movement has evolved, it has come to place a considerable emphasis on tailoring its efforts to the needs and aspirations of consumers in the Global North. In theory, fair trade can flourish on the basis of a win-win relationship between producers and consumers. In practice, however, tensions can emerge between those in the movement who emphasize the “fair” part of fair trade (for them, the interests of the producers are paramount) and those who emphasize the “trade” part (they prioritize the need to reach consumers).

Late in 2011, two of the most important organizations in the fair trade movement—Fairtrade International (Fairtrade) and Fair Trade USA—announced that they would be going their separate ways. That split marks a critical turning point in the history of fair trade, and people in the movement are still trying to make sense of it.

My goal in this article is to explore how a conflict between two opposing worldviews—two cultural frameworks—led to this internal division within the fair trade community. I will also explore how engaging with the paradox of fair trade allows us to see the interconnectedness of those cultural frameworks. In the end, I believe, the people of Fairtrade and Fair Trade USA can overcome their differences and achieve a real, transformative impact on the lives of producers and consumers alike.

## THE THEORY AND PRACTICE OF FAIR TRADE

In the early 1980s, Father Francisco Vanderhoff Boersma returned from the Oaxacan mountains in Mexico to his native Netherlands to talk with anyone who would listen about the inability of Mexican coffee producers to receive a price that would ensure them a dignified standard of living. Father Boersma, cofounder of the fair trade movement, hardly imagined that 30 years later the movement would include 1.3 million producers in 70 countries across four regions (Africa, Asia, Latin America and the Caribbean, and Oceania). Today, Fair Trade commerce takes place in 125 countries, and total annual sales of Fair Trade products exceed \$6 billion. Since 2011, sales have increased by more than 16 percent.<sup>4</sup> (I will use the lowercase term “fair trade” to refer to the broad movement to improve the lives of commodity producers through trade. I’ll use the uppercase term “Fair Trade” to refer to the activity of organizations that formally certify Fair Trade products.)

The idea of fair trade is simple. Ultimately, it involves a mutually beneficial exchange between two parties: producers and consumers. Its purpose is to improve the living and working conditions of small farmers and workers, and it depends on solidarity with people who are willing to pay more for a product to ensure that their purchase has a positive impact on producers. The goal is to empower producers and their organizations so that they can not only earn a fair price for their goods, but also take control of their businesses and reinvest in their communities.

**MANEL MODELO** is a consultant who specializes in organizational development. Currently, he is an advisor to Fair Trade USA’s coffee supply chain and producer services department. He also serves as a consultant in global coffee research for the World Bank.

*The author wishes to dedicate this article to the memory of Raúl del Águila, a leader and ambassador of the fair trade movement.*

Seen from one perspective, fair trade is a partnership between producers and consumers to rectify unequal trade relations by fortifying the trade chain’s weakest link—small-scale producers—and by weakening the power of intermediaries (commonly known as “coyotes” in Latin America) who add little or no value while claiming a large part of the revenue from sales. These middlemen, whether they are independent operators or employees of transnational companies, take advantage of the producers’ isolation and lack of market knowledge. By eliminating them and thereby shortening the supply chain, Fair Trade organizations have had a direct, positive impact both on producers’ income and on product quality.

In the late 1980s, leaders in the fair trade movement began launching country-specific Fair Trade labels. Then, in 1997, a number of organizations merged to form the Fairtrade Labelling Organizations International, which consolidated the global strategy of the movement and brought order to a crucial element of the Fair Trade system: certification. The role of certification is to make sure that all stakeholders in each supply chain meet an established set of trade, labor, and environmental standards. An independent certifier is responsible for checking compliance with these standards, and the Fair Trade label on a product guarantees to consumers that they have been met.

From the beginning, the flagship Fair Trade product has been coffee, and coffee still represents the product with the highest sales volume. But the list of Fair Trade goods has expanded to include other agricultural products: cocoa, honey, rice, cotton, sugar, fresh fruits and vegetables, nuts, and so forth. Although the consumption of Fair Trade products is increasing, they represent a small fraction of the overall market for coffee and other commodities. An estimated 25 million small producers make up 70 percent of worldwide coffee production, but sales of Fair Trade coffee account for only 2 percent of total production. Those figures clearly indicate the challenge—as well as the opportunity—that lies ahead for Fair Trade organizations.

## A MOVEMENT DIVIDED AGAINST ITSELF

On September 15, 2011, Fairtrade International and Fair Trade USA published a joint statement that read in part: “[W]e have different perspectives on how best to achieve [our] common vision ... of empowering producers and workers around the world to improve their lives through better terms of trade.” With that statement, a 14-year-old organizational alliance came to an end. The disagreement between the two groups stemmed from a long debate over whether to include large coffee plantations and non-organized small coffee producers in the Fair Trade system. Leaders of Fair Trade USA, eager to take that step, decided to break away from Fairtrade, and they launched a new strategy called Fair Trade for All.

When Paul Rice, founder and CEO of Fair Trade USA, was asked about the split, he said: “It’s not personal. It’s business.”<sup>5</sup> He and

other leaders in the US group pointed out that other Fair Trade-certified products, such as tea and bananas, came from plantations. Why, they asked, should the core Fair Trade products (coffee, sugar, and cocoa) be available only from producers' cooperatives? Rice signaled that Fair Trade USA would focus primarily on growth—growth in sales and, Rice hoped, growth in impact. “Fair Trade of the past was amazing. And absolutely not scalable,” he said.<sup>6</sup> By allowing a wider range of producer entities to participate in the Fair Trade system, Rice argued, the movement would create efficiencies that would encourage large corporate buyers to obtain more products from that system. As a result, he believed, sales of Fair Trade products would increase, and the financial and social returns to all types of producers would increase as well.

Opponents of the Fair Trade USA decision charged that the Fair Trade for All strategy moved too far away from the movement's original commitment to the empowerment of small-producer organizations. Rob Cameron, then CEO of Fairtrade, made that case in an open letter issued immediately following the split: “The FAIRTRADE Mark is the world's most widely recognized ethical certification mark and we believe that our producer-focused approach is [the] key to that success. Producers worldwide not only [are] valued for their opinion, but are co-owners in the Fairtrade system.”<sup>7</sup> A model built around small producers' organizations, Fairtrade leaders argued, is the only one that can guarantee the true empowerment of producers. Other models (such as the plantation model and the production-by-contract model) perpetuate dependence either on an employer or on intermediaries.

The World Fair Trade Organization, a global network of Fair Trade organizations, emphasized the risk that Fair Trade would end up falling under the control of big multinational corporations: “The WFTO believes the interests of producers, especially small farmers and artisans, should be the main focus in all the policies, governance, structures and decision making within the Fair Trade movement. ... It is not unthinkable under this scenario to have a multinational operation own the entire supply chain and be able to label it as Fair Trade. This is completely unacceptable to the WFTO.”<sup>8</sup>

Alongside these reactions from leading institutions, a myriad of activists, academics, buyers, brokers, concerned consumers, and producers around the world voiced their opinions for or against this decision. On the ground, all of us who had been part of the fair trade movement now found ourselves looking at each other differently. We laughed to release tension, but our uneasiness was real. After working together for years, we had suddenly turned into adversaries.

## GETTING PERSONAL

The night I first heard of fair trade, I could barely sleep. It was in 1994, and I was participating in an event hosted by Setem, a Spanish NGO where I was a volunteer. At that time, I was working at a bank. But I also found time to work as a social activist and as an informal educator of young people. Setem, I learned that night, placed the concept of fair trade at the center of its strategy to raise public and consumer awareness about the inequities in North-South trade relations. For the next several years, I promoted the fair trade concept in churches and in schools, in social organizations and in government institutions. Then I decided to meet with fair trade coffee producers firsthand. I wanted to see with my own eyes the impact that fair

trade was having in the field. So in 1998 I grabbed my backpack and flew to Mexico. What was meant to be a two-year trip has become a calling that has occupied me for more than 15 years.

For my first field experience, I landed in the state of Chiapas. There I volunteered to work with one of the most successful cooperatives within the Fair Trade system—an organization that had sent the first shipping container with Fair Trade coffee ever to reach the UK market. Since then, I have worked with organizations of small farmers to improve their production systems. I have assisted them in their organizational development, helped them build management capacities, and supported their efforts to obtain loans and seek new markets. I have witnessed how these organizations have leveraged the benefits of fair trade to become more competitive and to defend the interests of their members. From 2006 to 2011, I worked for Root Capital, where I led an initiative aimed at improving access to credit for small rural businesses, the vast majority of which sell their products under a Fair Trade label. I also served as an advisor for Setem on a project designed to help fair trade producer organizations gain access to the Spanish market.

Over the years, the Fair Trade system has grown considerably. But the fair trade family remains relatively small. It's a very young movement whose founders are still active and whose success is based on an almost utopian sense of marching together in pursuit of shared values.

That is why many personal relationships suffered following the split between Fairtrade and Fair Trade USA. In some cases, feelings of resentment are very real. In general, there is the sense of disappointment that often comes after a failure. Right now, we are hurt and at odds with each other, and it's difficult to separate rational arguments from emotional reactions. It's easy to look for culprits and to point fingers. For many of us, at this point, the safe thing to do is to surround ourselves with those who think as we do, and then to go out and prove that our way is the right way. Which means that our focus now is on competing with each other.

## OUTSIDE THE MARKET AND INSIDE THE MARKET

Let's take a step back and look at the underlying reasons for the split between Fairtrade and Fair Trade USA. In particular, let's use a variation of the cultural orientation analysis that I discussed earlier. By working to understand the cultural dynamics that have resulted in a conflict between two visions of the fair trade movement, we will be able to imagine options for the movement that take us beyond a purely competitive stance.

The fair trade movement takes certain things for granted. First, it assumes the pre-eminence of the current system of economic relationships. Second, it recognizes that some people participate in that system at a disadvantage. The question that stems from these premises is this: What makes “fair” trade necessary? There are two ways to answer that question, and each way reflects a specific cultural orientation.

One answer says that the current economic system is socially unjust, as well as inefficient in its distribution of resources, and that it depletes natural resources. To people who hold this view, fair trade is a powerful way to highlight the contradictions of the current system. This position has both a philosophical basis (What is “justice?”) and a political basis (How do we achieve it?). Linked to

this position is a commitment to standing outside the system—*outside* the market. From the perspective of this cultural orientation, the goal is to confront the market system with a more humane model. Adherents of this view accept that system and work within its rules, but they seek to “contaminate” it with a potentially revolutionary idea: Fair trade puts people before profits.

The other answer says that the current economic system properly reflects a belief in free will: An individual who acts on self-interest will end up benefiting other actors within that system. Fair trade is thus one way that the system attends to the priorities of consumers. The system, in other words, responds to every type of demand, including the “demand” of consumers who have a desire for social justice. People who subscribe to this position stand inside the system—*inside* the market. Their goal is to participate fully in the market. They don’t deny that there might be ways to improve the current system, but they believe that the market is the most efficient way to allocate resources. From the perspective of this cultural orientation, the first priority of fair trade is to expand the market for Fair Trade products as broadly as possible.

When the fair trade movement split in 2011, it did so precisely along this fault line. Fairtrade represents an outside-the-market perspective. Its cultural orientation aligns with a European cultural framework, in which the principles of social democracy and the welfare state remain strong. Fair Trade USA, by contrast, represents an inside-the-market perspective. Its cultural orientation aligns with an Anglo-American cultural framework, in which the principles of individualism and competition tend to be dominant.

To speak of “cultural orientations” is to step into a tricky area. Unavoidably, we find ourselves using simplifications or stereotypes to guide us. Individual and cultural reality is, of course, much richer and more complex than the schematic overview that I have provided here. Still, a broad overview of this kind can be useful as a tool for analyzing different beliefs, motivations, and attitudes toward change. (See “Two Organizations, Two Cultures” above.)

## CULTURES IN CONFLICT

The culture of Fairtrade and the culture of Fair Trade USA have evolved in sharply different ways. And those differences find expression in the voices of the top leaders at those organizations—in the voice of Harriet Lamb, the current CEO of Fairtrade, and in that of Paul Rice, CEO of Fair Trade USA. What follows is a survey of comments that these two leaders have made in public forums over the past couple of years.<sup>9</sup>

**Attitude toward the market system** | In discussing how the fair trade movement should interact with the current economic system, Lamb emphasizes the importance of transforming that system. “How can we change the world from the bottom up? How can we change the economy through changing people?” she asks. “Change,” indeed, is the main word on her mind when she says, “We need new laws

## Two Organizations, Two Cultures

	FAIRTRADE INTERNATIONAL	FAIR TRADE USA
Primary system	State	Market
Stance toward current economic system	From outside: The market can be unjust, inefficient, and environmentally destructive	From inside: The market serves individual needs and desires
Sense of power and responsibility	Social harmony: People achieve progress through collective action	Individual control: Each person creates his or her own future
Perspective on time	Abundant: Time has a “value without a price”	Limited: “Time is money”
Identity and purpose	Collectivism (cooperative)	Individualism (competitive)
Mode of thinking	Synthetic (aiming to integrate multiple factors)	Analytic (focusing on concrete solutions)
Organizational Goal	To change the current economic system and alter its power dynamics	To use the current economic model to develop a truly global solution
Purpose of Fair Trade	To enable consumers to buy with a sense of social responsibility	To provide consumers with access to Fair Trade products

Based in part on the Cultural Orientation Framework proposed in Philippe Rosinski, *Coaching Across Cultures*, Nicholas Brealey Publishing, 2003.

and new governments and new policies if we’re going to change the structures of power, but one of the ways we are going to get there is through changing relationships.” Rice, by contrast, focuses on the need to adapt to the current system. “The new version of globalization that’s emerging and growing very rapidly,” he says, reflects the idea “that you can actually be profitable and sustainable at the same time.” In another forum, Rice made the point more bluntly: “The solution is the market.”

**Evaluation of impact** | The two leaders also speak in contrasting terms when they discuss the impact of fair trade. Lamb argues that gauging the impact of fair trade is a more complex task than simply reading a sales-growth chart. “Fair trade is about enabling consumers to buy responsibly, enabling producers to farm responsibly, pushing companies to trade responsibly,” she says. “But it’s also more than that. It’s about being a change agent.” Rice, although he emphasizes the benefits that his organization delivers to producers, uses language that is more bottom-line-oriented than Lamb’s. “Over the last 10 years, we’ve been able to deliver over \$220 million in additional market value back to those farming communities,” Rice says. “At the end of the day, it is the best metric for success that we have.”

**Strategy** | How organizations operate is necessarily a result of the strategic objectives that drive them. At Fairtrade, the focus is on supporting frontline producers. “We need above all else to be really world-class in our work with small holders. That’s what fair trade is famous for,” Lamb says. “Nobody [else] is helping small holders to get organized and get a better deal from trade. Nobody [else] is helping small holders build their businesses and become stronger exporters empowered within the value chain.” Fair Trade USA has adopted a strategy that pivots on the needs of corporate buyers and consumers. “Companies are finding that this model, and similar models, are helping them stabilize their supply chain, improve their reputation, and also tap into this growing consumer segment

that we call the ‘conscious consumer segment.’ They are looking for great products that also are kind of consistent with their values,” Rice says. “Great products make us also feel good.”

**Partnerships** | Similarly, Fairtrade and Fair Trade USA give priority to their connections to different kinds of partners. “Farmers know best what would enable them to make change in their communities, and we have to make sure that in fair trade the farmers and workers are in the driving seat,” says Lamb. Rice, for his part, sets his sights on allying with parties that drive demand for the products that his organization certifies. “Partnerships with companies and market-based approaches,” he says, “are often needed in order to solve social or environmental problems.”

And here is a pair of quotations that succinctly convey the difference in outlook between Lamb and Rice—and the difference in culture between the Fair Trade groups that they lead. Lamb points to the importance of producers: “We work to really unlock the power of the many in the interest of the farmers and workers.” Rice, meanwhile, points by implication to the centrality of consumers: “Every purchase matters. Every purchase is an opportunity to change the world.”

What would happen if people on each side of this culture clash could truly talk with each other? The challenge of cross-cultural communication is for people to recognize that they—just like those with a different outlook, a different sense of identity—are ensconced in their own cultural orientation. Being open to understanding other cultural frameworks is a skill that requires us to move our own identity off-center and to experience that identity from a different vantage point. My hope is that people in the fair trade movement can take that step.

## WORKING THROUGH THE PARADOX

Under the umbrella of the fair trade concept, two perspectives—two cultural orientations—coexist in tension. There is the outside-the-market perspective of Fairtrade, and there is the inside-the-market perspective of Fair Trade USA. Within each perspective, the basic definition of fair trade is the same: the use of trade as a means to achieve social justice. But there is no agreement on the exact meaning of “social justice,” or on the best strategy for achieving it, or on which side of the producer-consumer equation should receive greater emphasis. The current split within the movement puts this tension into clear view.

But are these two perspectives, in fact, mutually exclusive? Or are they, perhaps, complementary? Even though they each regard producers and consumers in a different light, they agree that the essence of fair trade lies in engagement between those groups. They agree, moreover, on the need to increase the participation of consumers in fair trade—whether that participation takes the form of promoting responsible consumption (Fairtrade) or the form of increasing sales (Fair Trade USA). Not all consumers are the same. Their beliefs and aspirations, and how they see their role in society, differ. So why not consider each perspective to be a different method for reaching a different set of consumers? For some consumers, a fair trade transaction is a chance to participate in meaningful, long-term change. For others, it’s a one-time chance to “do good.” Fairtrade is clearly in the best position to reach the first kind of consumer, whereas Fair Trade USA is probably best suited to reach the second kind.

What I propose, in sum, is that these two groups pursue their

competing yet complementary approaches. Each group will spread the fair trade ideal while approaching consumers in its own way. In other words, each organization will act in accord with its cultural orientation. Fairtrade, with its outside-the-market perspective, will *deepen* the sense that the Fair Trade system operates by and for organized small producers. Fair Trade USA, with its inside-the-market perspective, will *extend* fair trade to more potential consumers. One organization will focus on quality (enrich the concept), and the other will focus on quantity (grow to scale).

Again, it is a paradox: The fair trade movement aims to empower producers, yet it does so largely by serving consumers. That paradox, that tension at the root of the fair trade concept, has led to an institutional split within the movement. But the effort to work through the paradox can also lead us to be innovative in our search for a way forward. I envision the possibility of building a new model that respects both cultural frameworks: We can compete and work together at the same time. We can appeal to consumers using different methods, even as we could join forces to empower producers.

What if members of each group could recognize that they are only partially right? What if they could say, in effect, “We all are fair trade”? What if, together yet separately, they could rebuild the global Fair Trade system in a way that serves as an example for other organizations? We have an opportunity to put in place a new model in which we harness the benefits of market competition while using the power of solidarity to distribute those benefits.

Fair trade in this new era should be not only a matter of good business, not only a compelling way of unlocking the power of social justice, but also a transformative movement for all stakeholders. If we can remain aware of our own cultural orientation and also remain respectful of others’ orientation—if we can use that knowledge to help us work together—then we will have an opportunity to make a real difference. ■

## NOTES

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