

# **LACK OF RIGOUR IN DEFENDING Fairtrade: Some important clarifications of a distorting account**

Alastair M. Smith<sup>1</sup>

The necessity to subject the arguments on both sides of the Fair Trade debate, and particularly those about FLO governance, to the ‘discipline of the critical comment’ (Griffiths 2010) is without question. It was for this reason that I set out to critically appraise *Unfair Trade*, a none-peer reviewed report, and later the publication of a debate transcript by David Henderson. Both of these publications reached the public domain bereft of the standards of evidence needed to support their extreme and generalised conclusions that: ‘The *evidence is clear*: Fair Trade is unfair’ and ‘irrelevant’ (Sidwell 2008, p. 11 & 12), and that consumers should ‘quit buying Fair Trade products’ (Henderson 2008, p. 64). Criticism fails to distinguish between the different interpretations of *Fair Trade*, made inaccurate generalisations about FLO governance and sort to back important points about distributive justice with irrelevant statistic about national incomes average. It was because of these issues that I passed ‘critical comment’ in the hope that future instances of critique would offer the higher standards of support demanded by the importance of this issue.

Peter Griffiths now extends this process of critique thinking to my contribution and in doing has marginally raised the stands – for example talking specifically about FLO certification. Having said this, the above provides a distorted account of mine and other authors’ contributions and continues to reflect the many inadequacies of critical discourse, even to the extent of misrepresenting the very literature Griffiths accuses others of missing. For this reason I offer a clarification of my position and further commentary on some of the issues raised. I end with a challenge to critics for Fairtrade Fortnight 2010.

## An Argument Against Extremes: What has been omitted and misrepresented

In terms of the possible positions on *Fairtrade*, there are firstly the extremes that governance is adequate as it is, or that it needs to be torn down at once. Broadly speaking, while the Fairtrade Foundation takes the former view, public critics adopt the latter. As Griffiths points out, there is no statistically representative evidence to make either case, and for this reason while I have attacked the argument that consumers should simply ‘quit buying Fair Trade’, I have specifically noted that ‘Fair Trade should not be accepted or promoted as, the only or

---

<sup>1</sup> Alastair M. Smith is a doctoral researcher at the ESRC-funded BRASS Centre at Cardiff University and has spent time working in the field of micro-business development in Central and South America (smitham3@cardiff.ac.uk).

the best consumption based strategy for alleviating poverty...[as] there are many worthy certification schemes and charities that are well deserving of support' (Smith 2008, p. 4); a statement that seems at odds with the claim that I fail to consider other options. I have not 'argue[d] that Fair Trade is perfect, a panacea for deprivation or should be given a monopoly over other consumption based poverty reduction strategies' (10). Instead, 'The conclusion of the research and analysis presented...[has been] that the evidence is far from "clear" in supporting the argument that Fair Trade is 'unfair' (8).

The methodology employed in both of my papers is specifically endorsed by Griffiths as he notes that only a single example is needed to disprove a universal claim. However, the comments above highlight a lack of statistically significant evidence as if this was an intentional deception and thus appear to have missed my very clear qualification that, 'On a methodological note the evidence cited above [in a summary of where Fairtrade has been positive] is a *limited selection of points* which have been taken from a much larger, *if not still limited, set of case studies...*', that 'this empirical evidence is limited' and that, 'the *only intention* here is to provide some concrete examples of how Fair Trade *can* build capacity in the developing world' (My current emphasis Smith 2008, p. 62 & 67). Furthermore I have specifically identified that case studies 'are clearly only ever evidence of the specific example that they represent' (Smith 2008, p. 12). With this in mind I have continually argued that 'there is a serious need for ongoing research and evaluation' (Smith 2008, p. 4); that 'statistically representative evidence is a must' (Smith 2009a, p. 29); and that given their access to audit data, FLO and FLO-Cert should be taking the lead on gathering this information (Smith 2009b, pp. 471, Fn 428).

All these points are conspicuously missing from the reconstruction above, and the extent of further distortion is worrying. For example, Griffiths:

1. Twists the original statement that 'there *might* be a bias in the current literature which favours research of more successful examples' (Smith 2009a, p. 34) into 'Smith (2009, p. 34) admits *that researchers choose* the more successful Fairtrade cooperatives for their case studies'.
2. Notes that I do not 'present any statistical evaluation' of the suggestion that Fair Trade purchases and charitable giving should not be seen as substitutes, despite the source of these very statistics being easily accessible to those following the clear citation (to my other paper and then to an online report).
3. Implies that I have questioned 'whether there *is any evidence* for statements by Sidwell (2008), Henderson (2008)' when the obvious reality is that I have specifically highlighted the lack of substantiation in these particular instances.
4. Claims that I 'presents a concept of quality and value unique to' myself and asserts that the provided references do not support my position. While this is ultimately a matter of subjective interpretation it should be sufficiently clear that the reference to Zeithaml relates to the background theory about the socially constructed elements of physical goods (given where citations are placed); that the very premise

of Mann's paper is that 'Fair Trade' is about 'the generation of a market where special social, relation-related product attributes play a dominant role' (2008, p. 2034); and that Golding and Peattie consider *inter alia* how, 'The primary goals of FT reverse the traditional notion of an ethical product...in which ethical dimensions are an augmentation, and by implication are seen as "added", to the product...' (2005, p. 157). It is of course also interesting to note that Griffith implicitly accepts my supposed 'unique' view of quality in his comment that the 'Fairtrade brand successfully markets feelings of virtue to wealthy westerners'.

### Explaining Defence and Support: A methodological issue

With no statistically representative evidence available it is necessary to give up an empirically grounded discussion on impact, or, employ the other resources that are available. It has been the latter option that is clearly being employed and thus it is necessary to consider the difference between valid and unreliable evidence. In discussing the difference between them, Griffith notes that more authority comes with views which are 'peer reviewed' and 'subject to the discipline of the critical comment'; and here we reach my motivation to deconstruct extreme critical conclusions. Without wishing to take the point too far it is certainly interesting to compare the references (to peer-reviewed material) in *Unfair Trade* and Henderson's article against the subsequent counters. Lets also consider Griffiths' view that 'It is perfectly in order to cite single instances' of non-peer reviewed books and *newspaper articles* to show the shortcomings of Fairtrade, which makes total sense, unless you simultaneously dismiss such sources used to question extreme criticism. Similar incoherence can be seen in the claim that 'a perfectly competent case study... is no more valid than' a single quotation (such as those used in Fairtrade marketing). I concede that Griffiths might be thinking of poorly executed, non-reviewed and bias examples (perhaps those by the Fairtrade Foundation), but to extend this to 'perfectly conducted' academic and peer reviewed analysis – some of which return statistical comparisons between Fairtrade and non-Fairtrade communities (Bacon 2005) – is utterly at odds with the accepted methodology of large swaths of modern social science; especially when investigating new phenomenon and building wider models for testing.

Criticism of Fairtrade is imperative but public attacks make un-substantiated claims and usually contain outright inaccuracies, especially in their understanding of FLO governance. Griffiths discounts identification of such mistakes as fussing over the 'small print', but I believe such arguments distort public understanding. If the structural weaknesses are so overwhelming, why include smaller issues let alone those that misrepresent subject matter? Including such inaccuracies fails to do justice to the case, just as the outright failure to interact with peer reviewed and other academic accounts further undermines the position. While these case studies certainly contain material that precludes the acceptance of Fairtrade as perfect (as I have noted), the balance of this

evidence in my view is positive, and it is for this reason I have taken a defensive as opposed to more neutral stance on the subject.

### Continuing Issues of Contention

Griffiths notes a lack of reference to agricultural marketing literature discussing for example, ‘when Vietnam paid its farmers more than the world price’. Indeed, it would have been prudent to mention this literature as an illustration that it is far less useful than Griffiths implies. While Vietnam was already increasing its output, production upped significantly in 1996-7 in response to 1) a generalised and significant increase in world prices after the Brazilian coffee frost in 1994 (Eakina et al. 2009, p. 399); 2) a structural shift by the limited range of coffee processors to the type of coffee produced by Vietnam (Lewin et al. 2004, p. 6); and 3) massive funding given by the World Bank and Asian Development Bank for the expansion of export agriculture (Jaffee 2007, p. 44). Although the Vietnamese government capitalised on this opportunity using funding to *provide preferential credit and a range of input subsidies* (Nguyen and Grote 2004; Smith 2003), this case study is not accurately represented in the statement ‘Vietnam paid its farmers more than the world price’ as it ignores the contextual peculiarities of the situation – including the hypothesis that the parallel market liberalisation intensified incentives structures for newly independent farmers (Che et al. 2001).

On the one hand we have farmers responding to *global price increases* and intensified by the massive provision of immediate subsidies by the national government. On the other side, we have a voluntary system of private governance which while *claiming to guarantee* prices do not slip below the cost of sustainable production, does nothing to ‘fix’ price when world markets are above this stated level. When minimum prices do operate, there are no guarantees on the volumes that will be sold as FLO certified and indeed, the available evidence suggests that these will be on the lower rather than the higher side. While minimum prices are paid to cooperatives and not individual producers, questions must be asked about how price signals are passed on via cooperatives to their members – especially if cooperatives leak higher prices through either corruption or running costs. Finally, while credit to cover inputs *can* be requested from buyers for up to 60% of production, this applies only to the volume of goods the buyer has committed to purchase.

For these reasons of stark institutional difference, while I am fully aware that state price setting and responses to global price changes are likely to result in ‘more planting by... farmers in good years, and less grubbing in bad years’, I do *not believe* that Fairtrade governance holds adequately similarities to make the claim that it necessarily facilitates the same outcomes. I am not arguing that Fairtrade will never incentivise intensification, and I have explicitly noted this possibility where producers are seeing substantial portions of their crops sold as

Fairtrade (Smith 2009b, p. 468 n. 417). What I am arguing is that the oversupply critique of Fairtrade, *as it has been presented* to the public is bereft of empirical support and based on questionable theoretical comparison – especially considering Fairtrade goods are a tiny percentage of world markets.

What I have also argued is that simplistic statements such as ‘free trade makes you rich’ and diversification is best facilitated by ‘*free* individuals voluntarily seizing market opportunities’ (Sidwell 2008, p. 3 & 5), are wholly inappropriate in presenting issues to the public. While Griffiths might see a more complex opinion lurking behind these sound bites, I see a discourse that undermines the value of market intervention in the minds of interested readers. It has been for this reason that I have presented the lack of opportunities and structural constraints on poor farmer diversification, well established by microeconomic analysis, and as an extension, offered the *hypothesis* that *where the comparison is between reliance on reified markets and the theoretical potential of FLO certification, Fairtrade ‘might’ offer more opportunity in some contexts* (Smith 2009b).

#### Conclusion: By way of a challenge to critics

As a closing comment on the progress of this debate, and in the light of the impending Fairtrade Fortnight, I am relieved that Griffiths moves beyond the argument that consumers should abandon Fairtrade because the average Mexican is richer than the average African. However, while there is at least the recognition that sample specific statistics are needed to validate the supposed criticism that certified Mexican are undeserving of customer support, as these are not actually presented, the point remains nothing more than a suggestion – let alone one that moves beyond static income data to reflect the widespread view that ‘vulnerability to poverty’ is much more useful to identifying ‘need’ (Moser 1998, p. 2); incorporates the historical reality that Fairtrade was essentially started by the Mexicans (Smith 2009a, p. 30); or likewise, provides a developed account of which other options are likely to overcome this fundamental issue of development intervention (Chambers 1999).

Going forward, if criticisms are to stand, and particularly in front of extreme claims that consumers and businesses should reject Fairtrade, arguments have to be substantiated with (statistically) rigorous evidence, provide an accurate understanding the subject and employ appropriate frames of need and social justice – there is the challenge, now let’s see if the critics deliver in Fairtrade Fortnight 2010?

#### Bibliography

Bacon, C. 2005. Confronting the Coffee Crisis: Can Fair Trade, Organic, and Specialty Coffees Reduce Small-Scale Farmer Vulnerability in Northern Nicaragua? *World Development* 33(3), pp. 497-511.

- Chambers, R. 1999. *Rural Development*. London: Longman.
- Che, T. N., Kompas, T. and Vousden, N. 2001. Incentives and static and dynamic gains from market reform: rice production in Vietnam. *Australian Journal of Agricultural & Resource Economics* 45(4), p. 547.
- Eakina, H., Winkelsb, A. and Sendzimirc, J. 2009. Nested vulnerability: exploring cross-scale linkages and vulnerability teleconnections in Mexican and Vietnamese coffee systems *Environmental Science & Policy* 12(4), pp. 398-412.
- Golding, K. and Peattie, K. 2005. In search of a golden blend: perspectives on the marketing of fair trade coffee. *Sustainable Development* 13(3), pp. 154-165.
- Griffiths, P. 2010. Lack of Rigor in Defending Fairtrade. *Economic Affairs*.
- Henderson, D. 2008. Fair Trade is Counterproductive and Unfair. *Economic Affairs* 28(3), pp. 62-64.
- Jaffee, D. 2007. *Brewing Justice: Fair Trade Coffee, Sustainability, and Survival*. London: University of California Press.
- Lewin, B., Giovannucci, D. and Varangis, P. 2004. *Coffee Markets: New Paradigms in Global Supply & Demand*. Washington D.C: World Bank.
- Mann, S. 2008. Analysing fair trade in economic terms. *Journal of Socio-Economics* 37(5), pp. 2034-2042.
- Moser, C. O. N. 1998. The asset vulnerability framework: Reassessing urban poverty reduction strategies. *World Development* 26(1), pp. 1-19.
- Nguyen, H. and Grote, U. 2004. *Agricultural Policies in Vietnam: Producer Support Estimates, 1986-2002*. Discussion Papers on Development Policy. Bonn,: Zentrum für Entwicklungsforschung Center for Development Research. [Online] Available at [http://www.econstor.eu/dspace/bitstream/10419/21849/1/zef\\_dp93.pdf](http://www.econstor.eu/dspace/bitstream/10419/21849/1/zef_dp93.pdf).
- Sidwell, M. 2008. *Unfair Trade*. London: Adam Smith Institute.
- Smith, A. M. 2008. “*The Fair Trade Cup is ‘Two-Thirds Full’ not ‘Two-Thirds Empty’*”: A Response to the Adam Smith Report & A New Way to Think About Measuring the Content of the Fair Trade Cup. Comment and Analysis. ESRC Centre for Business Relationships, Accountability, Sustainability and Society. Cardiff University. [Online] Available at [http://www.brass.cf.ac.uk/uploads/TheFairTradeCupResponsetoAdamSmithD9\\_1.pdf](http://www.brass.cf.ac.uk/uploads/TheFairTradeCupResponsetoAdamSmithD9_1.pdf).
- Smith, A. M. 2009a. Evaluating the Criticisms of Fair Trade: How strong is the argument that consumers and businesses should abandon Fair Trade as a means to socialise their economic decisions? *Economic Affairs* 19(4).
- Smith, A. M. 2009b. Fair Trade, Diversification and Structural Change: Towards a broader theoretical framework of analysis. *Oxford Development Studies* 37(4), pp. 457-478
- Smith, D. 2003. The operation of commodity markets and their impacts on livelihoods in Viet Nam In: *Making Markets Work Better for the Poor*. Inception Workshop of the Asian Development Bank Project,

