

**FAIR TRADE AND THE DOUBLE MOVEMENT:  
THE PROMISE AND CONTRADICTIONS OF  
IMPROVING LABOR STANDARDS IN THE  
GLOBAL SOUTH VIA MARKET MECHANISMS\***

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**ABSTRACT**

I examine Fair Trade (FT) as a social movement that emerges as a regulative force in response to the rise of neoliberalism. I apply Polanyi's (1944, 1957) classic concepts of embeddedness and the double movement to understand the conflict that arises within a coherently motivated social movement. Using interview and participant observation data along with content analysis of FT organization mission statements, this research examines the role of conflict within the FT movement over how best to improve the well-being of producers in the global South. I discuss the different, conflicting ways in which FT participants think about improving labor conditions in the global South and the inherent conflict in using market mechanisms to counter market forces. I conclude that while participants share the values of human rights, equality, and environmentalism, realizing these goals through concrete market activities reveals the tension between the benefits of liberalizing and the benefits of regulating the production and sale of FT goods that may impede the continued growth of the movement.

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International commodity trade, under the rubric of “free trade,” has been identified as a source of vast inequalities within the international system, where underdevelopment generally persists in peripheral states. Fair Trade (FT) initiatives emerged in the mid-20th century with the objective of improving the social, environmental, and economic conditions in the global South through market mechanisms. Either through direct sales networks or voluntary certifications, FT practitioners aim to regulate the market from within. FT has grown exponentially over the past 50 years, and previous research has consistently found positive effects on participating developing world producers (Levi & Linton, 2003; Ruben, 2009). However, there are signs of approaching limits on the movement’s expansion and, therefore, on its ability to achieve its development goals.

FT initiatives contest the rights established by the World Trade Organization (WTO) and other global neoliberal institutions and seek to create alternative standards based on new understandings of environmental responsibility, justice, and the human right to a fair wage and acceptable working conditions. The standards for inclusion in the FT system sharply contrast with the dominant legal framework set forth by the WTO, but they do so within the existing global trade market. I apply Polanyi’s (1944) concepts of embeddedness and the double movement, originally applied to the British government’s rising use of protective regulations following laissez-faire policies, to the international economy. I argue that the recent wave of neoliberal policies spurs a new kind of protective countermovement—a nongovernmental, voluntary certification regulatory movement. While voluntary certifications range from labor to forest protection, FT represents the most extensive and inclusive branch of this countermovement. With standards applying to wages, working conditions, environmental practices, and community decision-making policies, among others, FT comprehensively addresses liberalizing trends.

However, the movement’s use of market mechanisms while at the same time countering them fosters conflict within the movement. Drawing on Polanyi’s (1944, 1957) concepts of embeddedness and the double movement, I examine the roots of this conflict. Specifically, I focus on the conflict that arises from the FT movement’s simultaneous need for regulative forces and for liberalizing forces. Through the empirical investigation of the goals and objectives of the FT movement as they relate to their implementation, this research addresses the role of markets in protecting labor rights in the global South. I begin with a brief background account of the FT movement and the key principles and standards it enforces. I then consider the scholarly literature on FT markets and argue for the application of a Polanyian perspective to understanding both the rise and the limitations of the FT movement. I then present evidence from Fair Trade organization (FTO) Web pages, interview findings from key movement participants, and observation data from a landmark FT conference. Finally, I discuss how a Polanyian perspective informs these findings and conclude with an assessment of the possibilities and limitations of the FT movement.

## FAIR TRADE: BACKGROUND AND STRUCTURE

The Fair Trade (FT) movement began in response to increasingly liberal policies set in place by the main governing body of conventional international trade, the General Agreement on Tariffs and Trade (GATT), which later became the World Trade Organization (WTO). Participants in the FT movement identify the GATT's primary goal of "substantial reduction of trade barriers and elimination of preferences" and the WTO's primary goal of "further reduction of trade barriers" (Lanoszka, 2009) as the central mechanisms behind between-nation inequality and poverty in the global South. The most widely used definition of Fair Trade is that it is

a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers—especially in the South. Fair trade organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and campaigning for changes in the rules and practices of conventional international trade. (FINE, 2005: 21)

As such, FT is best understood as a social movement working in opposition to the standards, practices, and goals of conventional international trade. By creating an alternative international trading system, the movement aims to simultaneously improve the conditions of Third World producers and educate consumers in the global North on the relationship between international trading relationships and developing world poverty.

Each network has distinct, yet similar standards for membership. Membership in the World Fair Trade Organization (WFTO), for example, is based on 10 principles: (1) creating opportunities for economically disadvantaged producers; (2) achieving transparency and accountability; (3) setting up fair trading practices; (4) ensuring the payment of a fair price; (5) ensuring there is no child or forced labor; (6) committing to nondiscrimination, gender equity, and freedom of association; (7) ensuring good working conditions; (8) providing capacity building; (9) promoting fair trade; and (10) achieving respect for the environment. Likewise, the standards set by the Fair Trade Federation are as follows: (1) creating opportunities for economically and socially marginalized producers; (2) developing transparent and accountable relationships between trading partners; (3) building producers' capacity or independence; (4) promoting Fair Trade; (5) paying workers promptly and fairly based on the framework of true costs of labor time, materials, sustainable growth, and related factors; (6) supporting safe and empowering working conditions; (7) ensuring the rights of children including the rights to security, education, and play; (8) cultivating environmental stewardship; and (9) respecting cultural identity while creating positive and equitable change. All organizations must demonstrate compliance with these standards in order to gain membership and use the FT label.

### Structure of the FT Movement

Fair Trade organizations (FTOs) emerged in the mid-20th century and have since developed into three distinct organizational forms. The original form of direct sales networks of Northern consumers and Southern producers facilitated by nongovernmental organizations (NGOs) persists in some cases. In addition, some organizations have developed a product-level certification system, while other organizations have developed an organization-level certification system. All three organizational forms share the objective of equalizing trade and promoting economic and social development as well as environmental sustainability in the global South. FTOs emerged as institutions, first at the international level (i.e., between two nations only) and then at the global level (i.e., encompassing multiple nations), designed to regulate economic action: specifically, the economic, social, and environmental conditions of production. Since their emergence, complex networks of FTOs have proliferated throughout the globe. Fairly traded products first appeared among religious organizations and have since expanded into a wide variety of consumer outlets including catalogues, specialty shops, and grocery stores, primarily in the global North but increasingly in the global South as well. Fairly traded products were originally limited to handicrafts, but they have expanded to include a wide range of goods, from fresh produce to perishable items such as coffee and tea, and to prepackaged food items and clothing.

As such, the movement as a whole can be characterized as beginning with its roots firmly in religious groups, handicrafts, and direct sales networks and then transitioning in later years to less direct ties to religious organizations and the introduction of agricultural and other products and certification systems. One of the central points in this transition was the formation of FTO networks that served to coordinate efforts and streamline the trading process. Beginning in the mid-1970s, FTOs began to meet informally in conferences with the objective of sharing information and promoting Fair Trade practices and sales. Formal organizational networking activity can be traced back at least to the 1980s with the formation of the International Federation of Alternative Trade (IFAT) and the European Fair Trade Association (EFTA). However, the networking process culminated in 1997 with the establishment of FINE, the association of four international Fair Trade networks that have established a common definition and principles of Fair Trade. This network includes IFAT and EFTA as well as the Fairtrade Labeling Organization (FLO) and the Network of European Worldshoppes (NEWS!).

There are currently five major fair trade networks representing various types and numbers of members as well as different geographical spreads. They include the four members of FINE as well as the Fair Trade Federation (FTF). The Fairtrade Labeling Organization (FLO) is based in Bonn, Germany. As of the end of 2007, the FLO consisted of 20 national labeling organizations, 15 in Europe

and 5 in North America and the Pacific Rim, and 3 producer networks, one each in Africa, Asia, and Latin America. The World Fair Trade Organization (WFTO; formerly IFAT), based in the Netherlands, includes over 300 organizations—producer, importer, and support organizations. They are located in Africa, Asia, Europe, Latin America, and North America and the Pacific Rim. The Network of European Worldshoppes (NEWS!), based in Mainz, Germany, consists of 13 National Worldshoppe associations, 12 of which are confined to Europe. The European Fair Trade Association (EFTA), based in the Netherlands, includes 11 importing organizations, 9 of which operate exclusively in Europe. Finally, the Fair Trade Federation (FTF), based in Washington, DC, is a network of North American organizations committed to FT practices. The FTF consists of over 200 member organizations, which are primarily operating as retailers and wholesalers of FT products from the global South.

In addition to networking, the adoption of labeling marks a key transition point for FTOs. Until the mid-1980s, FT products were sold primarily in Worldshoppes or catalogues. In an effort to reach a broader public, FTOs implemented a labeling system. With this new system, products that were traded and sold complying with FT conditions would qualify for a label that would make that product stand out on store shelves. This system allowed any organization, not only FTOs, to sell fairly traded products. Within one year of the establishment of labeling, coffee with the certification label had a market share of almost 3% of total coffee sales (WFTO, 2009). In 1997, the worldwide association FLO was created, and it is now responsible for setting international standards for FT products, certifying production, and auditing trade according to these standards for the labeling of products. Currently, there are approximately 20 different labeled types of products (WFTO, 2009).

## MARKETS AND MARKETIZATION

In the broadest sense, markets are social institutions that facilitate exchange (Coase, 1988). Neoclassical economic theory generally conceptualizes markets as price-making and resource-allocating mechanisms (Swedberg, 1994). Economists characterize markets as sites of “utility maximization,” where all participants, having perfect information and the desire to enhance their benefits through exchange, act rationally and in isolation. Further, a great deal of this work, most notably from the Chicago School, assumes additionally that this exchange is inherently beneficial for all participants (Friedman & Friedman, 1980; Posner, 1981). Much of economic theory assumes that markets emerge from advances in technology that revolutionize the production of existing goods or create the possibility of new goods and the dynamics of competition between entrepreneurs supplying these new products (Fligstein, 2001). Forces of supply and demand keep markets in a state of equilibrium so that the needs of buyers and sellers are met. Competition between sellers keeps prices reasonable and rewards the most

efficient and innovative producers. The role of governments is largely ignored or criticized as introducing inefficiencies. As a result, complex social institutions such as common understandings, rules, and laws are omitted from economic discussions of markets (Fligstein, 2001).

However, the creation of the Fair Trade (FT) market runs counter to traditional economic views of the emergence and development of markets. Although FT can be viewed as a form of branding in the sense that a FT label signals to customers that a good was produced under particular conditions, that is, in line with established social, economic, and environmental standards, it is more complex than typical branding in that it represents an alternative logic of exchange meant to benefit producers. With FT, there is no new technology or product. World markets for coffee and handicrafts, respectively the largest and the initial FT products, have existed for hundreds of years. But the market for FT products did not emerge until the mid-20th century and did not expand substantially until the 1980s.

The novel part of this market is fairness, or the arrangements for social interactions and the treatment of the natural environment. FT retailers emphasize the poor conditions of developing world producers and bring personalized stories to their customers. Products often come with pictures and personal accounts of artisans and farmers. Further, unlike traditional markets, the FT market is consumer-led with an emphasis not only on quality of products but also on conditions of production and the advancement of developing-world producers. In addition, sellers emphasize the economic *and* social benefits such producers experience from participation in FT. Likewise, the consumption of FT products cannot be explained with traditional understandings of utility maximization.

Fair trade defies neoclassical logic, but it is located within the traditional international market. Economic accounts, especially neoclassical economic accounts, predict profit maximization where the leaders in global commodity chains should pressure producers to sell at the lowest prices (Gereffi, Humphrey, & Sturgeon, 2005; Gereffi & Korzeniewicz, 1995). This perspective would predict this will happen at the expense of the environment and the living conditions of the laborers. Rather than considering the ecological and social damage incurred by the developing world, economic analyses typically treat these costs as “externalities,” or costs of profit-seeking activities that are placed outside of the entities that stand to make a profit. This ignores the true costs of production in both human and ecological terms. While the concept of economic externalities has been treated by economists in a variety of contexts, it is only narrowly conceived (Mackenzie, 2010). It is typically used to describe the practice of corporate pollution, for example, that is cleaned up by states at taxpayers’ expense.

Especially given that global and national regulatory systems (GATT/WTO, tariffs) were already in place prior to the emergence of Fair Trade organizations, neoclassical externality analysis would find it hard to predict the emergence of a new regulatory form that exists within the current market but aims to redistribute

wealth and improve environmental and social conditions. Especially difficult for this theoretical perspective to predict is the initiation of the project by consumers in the global North. While the economic principle of consumer sovereignty suggests that consumers will determine production based on their purchasing power, it is not expected that they will select Third World development and ecological stewardship as criteria for product quality, for example. Because an FT label is almost always accompanied by a higher price tag than that of a traditionally traded comparable good, traditional economic perspectives will not likely anticipate the expansion of this particular market.

In contrast to traditional economic accounts, economic sociologists argue that the economy is not analytically separate from society (Krippner & Alvarez, 2007). In his classical argument, Polanyi (1944) argued, contrary to neoclassical economic theory, that the economy is embedded within the context of larger social arrangements. Society is, therefore, not subject to the laws of a self-regulating market. Rather, larger social forces shape market dynamics. Although the concept of *embeddedness* has been used in a variety of different ways, a large body of sociological research demonstrates that economic action is affected by a variety of social forces and institutions (Carruthers, 1996; Schneiberg & Bartley, 2008; Western, 1997). From this perspective, social forces are crucial to the functioning of markets as the development of new markets requires extensive social organization (Fligstein, 2001; Granovetter, 1985; Podolny, 1993).

In sum, economic sociology calls into question the assumptions made by economists that the economy is an analytically separate realm of society that can be understood in terms of its own internal dynamics, where politics and culture are external, and that individuals act rationally to maximize utilities in their model of the self-regulating market that integrates and harmonizes transactions in markets for products, labor, and capital (Block, 1990). Sociological accounts of economic action assume that economy and society are embedded in one another, rather than existing as analytically separate spheres. The subfield of economic sociology also considers multiple types of rational action including value-rationality. Here, I argue that Polanyi's (1944) concept of embeddedness is key to an analysis of Fair Trade.

### **Embeddedness and the Double Movement**

Previous work on fair trade has highlighted the relevance of Karl Polanyi's (1944) concept of embeddedness for analyzing how FT and other initiatives are shaped by the social and political relations of commodity chains (Taylor, Murray, & Reynolds, 2005). According to Polanyi (1944), the rise of *laissez-faire* markets in 19th-century Britain represents a move toward the institutional separation of economy and society, or the dis-embedding of the economy from society. This dismantling of forces regulating the economy risks the overexploitation of the fictitious commodities, land, labor, and money. They are referred to as

fictional because none are produced with the sole intent of sale on the market; nor are they dominated by the logic of supply and demand. In an extension of Polanyi's work, Block (1990) proposes a continuum from instrumental to embedded that combines two dimensions: first, the degree to which behavior is price driven; and second, the degree to which self-interest places economic goals ahead of friendship, family ties, spiritual considerations, or morality. Block argues that the existence of nonopportunistic behavior is evidence of embeddedness, of the power of noneconomic variables, such as the norms of a particular community or the strength of personal ties.

Consumption of fairly traded products highlights the role of social variables in economic behavior. For example, case studies of FT cooperatives reveal that producer organizations within the FT regime require a demonstrated commitment by prospective small-scale grower members that they "not be opportunistic but desire to stick with the cooperative through good and bad" (Taylor et al., 2005). Further, the principles and goals established by FTOs demonstrate their interest in equality, social justice, and environmentalism over profits. The FT movement values the conditions of production along with standard concerns with quality and price. As a result, FT can be understood as an attempt to re-embed economy into society via market mechanisms.

In addition, Polanyi (1944) argued that any movement toward liberalization must be met with a countermovement toward regulation, in order to prevent the commodification of land, labor, and money. Further, a fully self-regulating market is impossible, and we see the rise of regulatory efforts that are necessary to protect human populations and the natural environment (Polanyi, 1957). Polanyi refers to the expansion of free markets followed by protective regulations as the "double movement." The concept of the *double movement* can be usefully applied to the global level, where FT represents one aspect of the protective countermovement (Bandelj, Shorette, & Sowers, 2011; Fridell, 2007). Likewise, Schneiberg and Bartly (2008) find that, paradoxically, neoliberal globalization spurs regulatory efforts. The frequency and comprehensiveness of regulation by both state and nonstate bodies has increased as liberalizing policies enforcing tariff reduction and the privatization of national institutions have been on the rise (Vogel, 1996). As such, the expansion of FT markets can be seen as part of the protective countermovement to the rise of neoliberal globalization.

### **Fair Trade Markets: Expansion and Limits**

Previous work on FT has found consistent support for the industry's claims that FT offers positive, though limited, benefits to participating producers and even to nonparticipating producers in the vicinity of FT farms (Bacon, 2005; Levi & Linton, 2003; Murray, Reynolds, & Taylor, 2003; Ruben, 2009). However, skepticism over the system's potential to fundamentally alter global development inequalities remains. Current literature focuses on two key limitations. First, the



contradiction of undermining the traditional market while simultaneously being located within it undermines the system's transformative power (Bacon, 2005). The strategy of "opposing the market from within," or aiming to alleviate global inequalities through the market system that created them, reveals an inherent contradiction in the FT system (Bacon et al., 2008; Nicholls & Opal, 2005). Some argue that capitalist markets are inherently characterized by exploitation and, therefore, require complete revolutionary transformation if developmental equality is to be achieved (Fridell, 2006). From this perspective, FT cannot be effective in its objectives while operating within the capitalist world economy. Therefore, Brown (1993) argues for the establishment of a system entirely outside the jurisdiction of the World Trade Organization. However, Raynolds (2000) argues that the movement's re-embedding of social and environmental issues into exchange relationships constitutes a significant revision of traditional market practices.

Second, the exclusivity versus expansion of FT markets poses several related problems. The system's dependence on exclusivity, where FT is attractive to customers at least partly because it differentiates them from mainstream consumers, limits the bounds of expansion (Guthman, 2009). As FT products become more widely available, they become less attractive to some consumers by virtue of their reduced exclusivity. In addition to reducing the cachet of belonging to an exclusive group, the expansion of FT to include a wider range of products risks dilution or the weakening of standards (Jaffee, 2010). As large, mainstream corporations such as Starbucks and Wal-Mart enter the FT market, standards are increasingly put at risk. Such corporate participants in FT may even strategize to dilute standards to their own benefit and the detriment of the FT movement (Renard, 2005). In this sense, Northern partners in FT vary greatly depending on the source, as the expansion of FT to include large corporations can potentially yield more damage than benefit (Fridell, 2009). However, if the movement is to impact more producers, it will have to move into mainstream markets where more consumers reside (Levi & Linton, 2003). As such, partnerships between businesses and nongovernmental organizations become necessary to provide a broader base for the market in FT goods that promotes the norms of economic, social, and environmental sustainability among consumers in the global North (Linton, 2005).

Finally, while FT practices have been consistently shown to improve conditions for producers in the global South, they are not typically a panacea for the reduction of growing world poverty (Bacon et al., 2008; Jaffee, 2007; Ruben, 2009). However, even marginal gains motivate continued efforts within the FT network, which continues to expand. Industry members and scholars attribute FT growth in the 1990s and the early 21st century to the certification and labeling process (Ponte, 2002; Raynolds, Murray, and Heller, 2007; WFTO, 2009). This suggests that the expansion of FT may require more market orientation (i.e., more standardization and less specificity). The early era of FT, which was

characterized by direct sales networks of handicraft products, depended very little on standardization. Producers generally designed and crafted their products on their own terms and without direction. Sellers in the global North would travel to production sites and purchase the goods for sale in Northern communities. They emphasized the value of traditional and unique products. However, as the FT movement expanded, it became increasingly market oriented. In order for FT products to move from small, local sales outlets, at churches, for example, to large retail outlets such as grocery stores, standardization was necessary. At this point, retailers in the global North began setting standards for design and quality, so that FT handicrafts still bore traditional cultural elements but were designed to appeal to a wider consumer audience and held to higher quality standards. The introduction of the labeling system represents a further move toward market orientation. A series of labels indicates that goods were produced under a particular set of conditions. This labeling system allowed for the mass production and distribution of FT products.

### **CHANGING NORMS AND NONGOVERNMENTAL GOVERNANCE**

Traditionally, the state and interstate institutions have monopolized the governance of international trade. These institutions possess the material resources and technical information necessary to govern global trade. However, the rise of egalitarian world cultural norms undermines their legitimacy, which is also necessary for their role in governance (Scott, 2008). If we consider legitimacy as a “generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995: 574), we can see that world cultural norms support the exploitation of the periphery much less now than in previous centuries. Scott (2008) notes that structures can be simultaneously legitimated by entrenched authorities and contested by less powerful actors. International commodity trade, regulated by state and interstate organizations, is an example of a simultaneously legitimated and contested structure. The socially constructed system of neoclassical economics persists and spreads through the power of entrenched authorities. FTOs represent challenges to the legitimacy of this system by less powerful constituencies. Although power certainly matters in supporting legitimacy processes, it is not the absolute arbiter. According to Scott (2008: 61), “entrenched power is, in the long run, hapless against the onslaught of opposing power allies with more persuasive ideas or strong commitments.” This suggests the possibility for the further expansion of FT in terms of organizations and total trade and potentially wider social change, where international commodity trade more closely aligns with world cultural norms.

Boli and Thomas (1999) argue that the goals of international nongovernmental organizations (INGOs) are often contrary to state interests and have been

successful in pressuring states to adopt wartime protections and development efforts in the periphery. For example, the International Committee of the Red Cross (ICRC) drafted and persuaded states to adopt the first Geneva Convention restricting legitimate state violence (Finnemore, 1999) and the formation of national development agencies dedicated to the development of other nations such as the United States Agency for International Development (USAID). Even if a shared cultural frame problematizes the same outcomes, divergent interests will obscure whose problem it is and how it should be addressed (Bartley, 2007). In the case of international trade, global economic development is one overtly agreed upon goal. However, views on the causes of underdevelopment and strategies for increasing development vary greatly. State and interstate institutions address the problem one way, namely, via trade liberalization, whereas FTOs take a contrasting approach. Polanyi (1944) argues for the necessity of state regulation of markets. However, the size and scope of contemporary globalization and international trade require regulation beyond the level of the national state, agreements between nation states, and state-based global governance institutions such as the United Nations. According to Bartley (2007: 298), “most scholars agree that the globalization of supply chains and the lack of existing regulatory capacity at the global level generate demands for new forms of ‘global governance.’” Voluntary certification systems in general, and FT in particular, represent new, nonstate forms of governance.

Further, the emergence of FT and other voluntary certification systems is just one part of a broad movement to regulate economic activity in accordance with the social justice principle over profits. The development and expansion of micro-credit systems in Brazil (Gutberlet, 2009) and of bartering economies in Peru (Argumedo & Pimbert, 2010), along with government policy-based initiatives that prioritize overall well-being ahead of profits (Stiglitz & Charlton, 2006), represent market-based social justice initiatives throughout the global South. The notion of a “solidarity economy,” or the construction of economies based on social justice, has been used widely in efforts parallel to those of FT.

## DATA AND METHODS

### Content Analysis

I have performed a content analysis of the mission, value, and summary statements of the most central organizations within the FT movement. This includes the pioneering organizations, Ten Thousand Villages and Serve International, the FINE members (the Fairtrade Labeling Organization, World Fair Trade Organization, Network of European Worldshoppes, and European Fair Trade Association), the Fair Trade Federation, and the central information-based organizations, the Fair Trade Institute and the Fair Trade Resource Network. In addition, I have included a stratified random sample of 100 additional FT

network member organizations, which includes organizations that belong to all five major FT networks, as well as producer, labeling, wholesale, and retail organizations from all major regions of the world.

Many organizations provide an official mission statement, while others have sections on their “vision,” “values,” and general “about us” sections posted on their Web pages. I have included all of these statements in the content analysis. The vast majority of Web pages are available in English. For those that are posted in languages other than English, I have used Google Translate and performed the content analysis on the translated content.

### **Participant Observation**

In addition, I attended the Fair Trade Futures Conference 2010, which brought together members of the FT community from every part of the system: producers, consumers, retailers, wholesalers, activists, and academics were all present. The conference is part of a series that meets every five years to evaluate the status of the movement and discuss its next steps. Over the course of the three-day conference, I attended two luncheon working groups, one debate, three seminars, two keynote speeches, and the welcome and farewell plenary sessions. In addition, I conducted 22 informal and unstructured interviews for a total of 30 hours of participant observation. My informal interviews were conducted before and after conference hours, during scheduled breaks, and at the “market-place” where retailers set up mini FT shops with samples and items for sale. During the interviews and observations, I identified myself as having a university affiliation when asked and as indicated by my conference badge.

## **FINDINGS**

### **Official Organization Statements**

Though variation exists, FTO Web pages present several coherent and unified themes. I found that the most common key words and phrases are “equality,” “justice,” and “development,” with over 70% of organizations invoking these terms. These themes are followed by “poverty alleviation,” “partnership,” “sustainability,” “market access,” and “economic empowerment,” each found in between 40% and 60% of organizations’ official statements. See Table 1 for the precise frequency of each of these key words and phrases. I have arrived at two conclusions based on these results. First, the overall goals of the movement are quite consistent despite great variation in the size, location, and capacity of participating organizations. Second, the central terms and phrases consistently invoked by these organizations contrast strongly with the imagery and terminology used by the dominant global governance institutions that promote liberalization and privatization. In sum, the findings from content analysis show a unified mission of FT participants that works to counter the effects of neoliberalism.

Table 1. Results of Content Analysis

Key words and phrases	Percentage of organizations invoking terms
Equality	82
Justice	79
Development	73
Poverty Alleviation	58
Partnership	53
Sustainability	53
Market Access	41
Economic empowerment	40

For example, the Fair Trade Resource Network's mission statement claims that the organization "seeks to improve people's lives through Fair Trade alternatives . . . and to build a more just and sustainable world through Fair Trade." In addition, several organizations express unified goals while alluding to the current neoliberal-based system. The World Fair Trade Organization argues, for example, that it "provides greater justice in world trade and highlights the need for change in the rules and practices of conventional trade." Likewise, the Fairtrade Labeling Organization argues that "trade can be a fundamental driver of poverty reduction and greater sustainable development, but only if it is managed for that purpose, with greater equality and transparency than is currently the norm." Each of these organizations identifies shortcomings in the current conventional trading system and the possibility for changing its negative effects.

In addition to revealing the FTOs' consistent objectives of countering neoliberalism via alternative trading relationships, the content analysis revealed important distinctions between the various FTOs. The main differences lie in their motivation and their target populations. The majority of organizations reported motivation by means of secular norms of social justice and environmentalism. Many of the Web pages invoked images of "global citizens," highlighting "connectedness" with people from different geographical and social locations. These types of pages appealed to consumers' belief in their responsibility to support producers in the global South via notions of human rights and social justice. A much smaller segment of the FT population invokes religious imagery in its descriptions of its objectives. While the final goals of equality, justice, and environmentalism are consistent, these organizations motivate potential supporters via "God's word," occasionally providing specific Bible passages. These

organizations also tend to include the objectives of promoting “spirituality” or “Christianity” along with the standard FT goals. In addition, the majority of organizations target producers in the global South generally. However, some work specifically with narrower populations such as women, children, handicapped people, and diseased groups. However, despite these differences, the organizations maintain a coherent line of objectives in opposition to conventional trade policies and practices.

### **Conference Dynamics**

The conference that I attended was unified by the collective desire for a more just and equal international trading system that respects and empowers producers in the developing world. Interview and participant observation evidence suggests that the discourse of international trade positions FT in opposition to conventional trade, where liberalization spearheaded by intergovernmental organizations such as the GATT/WTO is met with countermovements toward regulation of the economic, social, and environmental conditions of production and trade. Throughout the conference, participants in a variety of positions within the FT system referred to the unjust ideologies and policies of conventional trade and frequently evoked the WTO with disdain. They argued that conventional trade policies negatively impact producers in the global South and positioned their participation within FT as opposing these conventional practices. The conference was marked by an overall shared commitment to improving the lives of developing world producers. However, conceptions of justness and the proposed approaches to this end varied dramatically. The program of the conference was organized around central debates reflecting existing points of contention within the FT system. The debates focused mainly on the issues of the relative power of participants from the global North and South within the FT system, the implementation of the labeling system, and the desired level of exclusivity. In line with this focus was the overall heated and passionate tone of the conference. Long lines formed during the open question sessions that followed panel presentations. Participants enthusiastically and passionately expressed their views, often with exasperation. A variety of perspectives and contentious debate characterized the three-day event. However, the conference did not result in any consensus on the desired future directions of the FT movement as its title suggested.

The particular points of contention that emerged and the failure to resolve them during the conference are rooted in the FT movement’s contradictory position of opposing the market from within. Traditional markets move toward the commodification of labor—that is, the application of the principles of supply and demand to human productive activity. However, the FT system promotes the embeddedness of economy in society through the decommodification of labor, specifically for producers in the global South. However, the expansion of the FT system to include more consumers and positively affect more producers

requires further market orientation or liberalization. The production of FT goods on a mass scale and at an accessible price for average consumers in the global North, therefore, threatens the standards at the base of the FT system. The following points of contention arising at the conference reveal the tension between the need to liberalize and the need to regulate.

Throughout the conference, I identified four central debates: (1) producer representation and decision-making power; (2) the structure of the primary certification body, FLO; (3) the regulation of products with complex commodity chains; and (4) the value of exclusivity in the FT market. The debates are described in detail below. Note that the names of conference participants are altered to protect their confidentiality.

The first of the four central debates raised at the Fair Trade Futures Conference was the representation of producers in the decision-making process, especially within the Fairtrade Labeling Organization (FLO). FLO codifies and enforces the FT standards. It is composed of 22 members, 20 of which represent the global North and 2 of which represent the global South. In the opening plenary session, Miguel Gutierrez, president of Candela Peru, a WFTO producer organization member, argued vehemently that producers require and deserve a greater voice within the primary certifying agency. A FLO representative and former vice chair of the organization sympathized with Gutierrez' position but suggested this was not possible due to organizational constraints; that greater control of the certification process was necessary in the global North. He argued that increased participation from producers would increase the cost of the certification process and was, therefore, not desirable for anyone in the FT system. This response was met with great fury by the mostly Northern audience dedicated to the promotion of democracy and equality in North-South trading relationships. For the remainder of the conference, this senior representative of FLO was rarely without a companion who wished to argue with him.

Next, many of the debates centered on the roles of certification and labeling in the FT system. I spoke with Ahmad Al Massri, director of Canaan Fair Trade in Jenin, Palestine, who holds a doctoral degree in anthropology from the University of Wisconsin. He expressed concern over the FLO certification process. According to Dr. Al Massri, the FLO's practice of operating mostly on sales commissions results in its tendency to ignore small producers. Despite being in full compliance early on, Dr. Al Massri was only able to convince FLO to evaluate his products *after* they demonstrated robust sales in the Whole Foods grocery chains. Likewise, representatives from a company specializing in personal care products pointed to the disadvantages of FLO's commission-based certification process. However, their solution was to work with a different certifying agency. They applied for and were granted the Institute of Marketecology (IMO) fair trade label, which requires a one-time application fee, unconnected with the outcome of the evaluation or with later product sales. This in turn sparked additional debate over the number and meaning of labels used to

indicate FT practices and standards, where some condemned and others applauded the use of non-FLO certifications.

Participants were also concerned about the capacity of the current certification system to regulate more complex commodity chains. Bená, a representative of Maggie's Apparel Company, lamented the difficulty of securing multi-stage production models for certification that spans continents with different living wages. How can she communicate to customers clearly that a garment was produced under FT conditions at every stage in the process? An initial solution pointed to a pilot project initiated by Transfair USA, the primary network of FT in the United States. Many conference participants were upset by the pilot project for certifying apparel that does not enforce FT standards for any of the many stages between cotton growing and pattern cutting. From their perspective, every stage is equally important, but for Bená, certifying a partial commodity chain made her products far superior to conventionally traded apparel. To her dismay, some attendees argued that this type of regulation was meaningless and devalued all FT goods and, therefore, should be discontinued. Others came to Bená's defense and argued that while certainly a labeling system certifying all stages in production is essential to the expansion of FT and, therefore, to benefiting more producers in the global South, the pilot project is useful as a first step toward including complex commodities in the FT system and benefiting some of the most marginalized workers in the global South: apparel and garment industry workers.

In a related line of contention, there was much debate over the value of the FT label and the exclusivity of the system. This debate revealed a rift among the participants that divided them on the basis of their perception of the value of a labeling system. Many argued that labels are essential for market entry. While FT labels do not address an entire commodity chain and are not accessible to all producers, they are an essential tool for the expansion of FT. Others, in contrast, argued for a return to direct sales networks exclusively. In addition, conference participants argued over the benefits and drawbacks of opening up FT to a more mainstream market. Some argued for the expansion of FT products into mainstream and discount retail outlets such as Wal-Mart, where more consumers, and especially low-income consumers, would gain access. Others insisted that FT's entry into mainstream outlets such as Starbucks had devalued the system, thereby hurting its producers. Advocates of this perspective insisted that allowing FT goods into a discount retail outlet with a questionable human rights record would only exacerbate and further devalue the FT label. Conference participants represented a wide array of opinions on this topic, ranging from complete mainstreaming to hyper exclusivity.

In sum, a content analysis of FTO mission statements points to consistent commitment to the common themes of human rights, equality in decision making and economic outcomes, environmentalism, and the promotion of Third World development. Observations and interviews highlighted the commitment of FT



participants to these common goals. However, observations and interviews also revealed ambivalence as to how to achieve the collective goals. This ambivalence is rooted in the tension between liberalizing and regulative forces, which stems from the location of FT's countermarket objectives within the market itself. My interviews with FT participants and my observation of a key conference centered on establishing the future of the movement reveal that the system's internal dynamics, especially the arguments over producer representation, the certification process, and exclusivity and standards are highly contentious. Each of these points of contention can be understood in terms of liberalizing versus regulative forces. In the end, the Fair Trade Futures Conference suggested a contentious and ambiguous future for FT goods and participants.

### DISCUSSION AND CONCLUSION

Previous research highlights the importance of rising voluntary certification systems in general (Bartley 2007; Schneiberg & Bartley 2008) and identifies the positive though limited effects of producer participation in the FT system specifically (Bacon et al., 2008; Fridell, 2007; Jaffee, 2007; Levi & Linton, 2003; Ruben, 2009). Here, I use Polanyi's (1944, 1957) classic work to understand the presence of conflict within the FT movement over its future directions, despite a large consensus on the movement's overall objectives. I apply Polanyi's classic concepts of embeddedness and the double movement to the contemporary global economy and to nonstate actors. I extend Polanyi's (1944) classic argument that a movement toward liberalization must be met with a protective countermovement toward regulation in order to restore the embeddedness of economy in society to the contemporary era. I argue that the rise of voluntary certification systems in general and FT initiatives specifically represent a protective countermovement in response to the liberalizing moves of the dominant global governance institutions but are plagued by conflict because of their paradoxical position of countering market forces from within.

Movement participants agree on the promotion of a more just international trading system that supports sustainable economic and social development in the global South, as is evident in organization mission statements and conference statements. Because they see the FT system as the best means to this end, participants generally aim for it to affect as many people as possible. However, the movement's aim of countering the market from within creates a point of contradiction from which movement conflict arises. FT's use of market forces in the regulation of international exchange (i.e., regulating the market from within) inherently leads to the rise of conflict. This conflict lies in the tension between the movement's need to both liberalize and regulate in order to achieve its objectives.

Thus, the expansion of FT seems to depend mostly on more standardization and less specificity. Since the certification system was implemented, the total volume of sales has increased dramatically, as has the variety of products available

on the FT market. Some participants embrace the potential of the market system, arguing for the expansion of FT products into ever more retail outlets, making the products available to a wider consumer base. These participants identify the potential for further market orientation or commodification to broaden the movement and therefore positively affect more developing world producers. Expansion of the certification system and inclusion of corporate partners represent moves toward liberalizing FT products. Other participants remain wary of the market and cling tightly to the movement's original structure of direct sales networks. These participants recognize the potential of marketization to dilute the FT standards, thereby diluting the positive effects on producers. As a result, they promote further regulation via the maintenance of close consumer-producer relationships.

In addition to the conflict over quality versus quantity, the specifics of the certification process are quite contentious within the movement. Dueling forces of efficiency and democracy, again representing liberalization and regulation respectively, arise in the setting and enforcement of standards. The current underrepresentation of producers from the global South in the certification process undermines the goals of equality, transparency, and respect. However, increased participation of global actors with limited resources makes the process much more costly, which, in turn, makes the FT products less marketable. As such, the FT movement requires further market orientation or liberalization in order to maintain its consumer base, but further decommodification or regulation in order to maintain its standards for producers. There are limits to the additional price FT consumers will pay, even if it comes at the expense of democratic decision making between participants in the global North and South. As a result, movement participants as a whole are ambivalent as to how best further their mission.

Moreover, the limitations of this system lie as much in the system's decentralized, voluntary nature as in its market orientation. In Polanyi's (1944) original analysis of the double movement, the state implemented both the increased liberalization and the increased regulation of markets. In the case of FT, international organizations, primarily the World Trade Organization (WTO) but also the International Monetary Fund (IMF) and World Bank, implement and promote liberalizing policies. Rather than state-based initiatives, regulatory forces have come in large part in the form of nongovernmental voluntary certifications. At this point, it is not clear that voluntary, nongovernmental initiatives can have a substantial regulatory impact on international production processes and trade.

The conflict within the FT movement points to the contradiction between the movement's need simultaneously to liberalize and to regulate in order to achieve its collectively agreed upon goal, and ultimately points to the limitations for the movement's expansion. The expansion of the FT movement depends on increased market orientation. But the movement's primary objective is to counter marketization. The further market orientation necessary for expansion contradicts the principles of embeddedness at the center of the movement.

**APPENDIX A: ACRONYM KEY**

EFTA	European Fair Trade Association
FINE	Combined Network of FLO, IFAT (WFTO), NEWS! and EFTA
FLO International	Fairtrade Labeling Organization
FT	Fair Trade
FTF	Fair Trade Federation
FTO	Fair Trade organization
GATT	General Agreement on Tariffs and Trade
IFAT	International Federation for Alternative Trade— Now WFTO
IMF	International Monetary Fund
NEWS!	Network of European Worldshoppes
Serve International	Sales Exchange for Refugee Rehabilitation and Vocation
WFTO	World Fair Trade Organization—Formerly IFAT
WTO	World Trade Organization

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