

research snapshot

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MNCs Can Devalue the Brand of “Fair Trade” and Exclude Co-operatives

What is this research about?

The practice of Fair Trade involves increased exchange of goods from small producers in the Global South, to consumers in the Global North. When fair trade practices first emerged, it was based largely on a social economy. That is, small producers worked under the model of a co-operative. They were able to work alongside fair trade organizations (FTOs) and other social economy actors through their representation in co-operatives. However, Fair Trade does not function under the same principals as co-operatives. Its activities are more diverse, and have grown to include the business of multinational corporations (MNCs) in the Fair Trade process. With these prominent changes to Fair Trade, is it an appropriate model for co-operatives to use?

What did the researchers do?

The researchers began with a review on the origins of Fair Trade and FTOs. They also considered the impact that co-operatives and their values had on the movement. Co-operatives align themselves with values of self-help, democracy, equity, and solidarity; as well as working with others on ethical terms like honesty, care and social responsibility.

Following this, a brief review was completed on MNCs and how they engage with Fair Trade as licensees of certified fair trade products. The researchers used a global value chain (GVC) analysis to measure the relationship between MNCs and other social economy actors like producers. GVC considers

What you need to know:

Creating a network of co-operatives may counter the dominance that MNCs hold on Fair Trade. This includes a joint effort to market and support the goods of small producers, influence public policy, and to develop a separate product certification system to identify goods that are produced and traded ethically.

the different structures of different value chains- how a good is produced, who are the actors involved, and the outcome for distribution. The researchers looked at four value chain models within Fair Trade:

1. Fair Trade without Corporate Participation
2. Fair Trade with Corporate Retail Participation
3. Fair Trade with Corporate Licensees
4. Fair Trade with Plantation Production

What did the researchers find?

The researchers found that there was a difference between goals from Fair Trade with and without Corporate Retail Participation, and Fair Trade with Corporate Licensees or Plantation Production. While the first two value chains named were set up to support and engage small producer groups and co-operatives, the other two value chains were more concerned with increasing profits.

The reason for this major difference was a result

of MNCs acting as licensees in Fair Trade. As a licensee, MNCs are able to purchase fair trade products without changing their central purpose and structure as a business. MNCs also gain more control over the production models of the goods they buy, favouring models where they can easily insert or remove suppliers based on the costs and quality. While plantations in Fair Trade were meant to support access to the agricultural market for small producers, today there is more interest to support MNCs' access. MNCs not only dominate the industry when it comes to plantation goods (like bananas), but there is a growing number of fair trade certificate programs competing with one another.

The researchers found two concerns with more MNCs' activity in Fair Trade.

- Corporate licensees devalue the Fair Trade brand with consumers. This is done through deceiving tactics like: "fairwashing", where a small purchase of goods on Fair Trade terms is used to sell the image of a "fair trade company"; standards dilution, where MNCs put pressure on organizations to reduce their certification standards on "fair trade" goods; and captive certification, where MNCs use certifiers that are not independent of the company, and exist for corporate interest alone.
- Corporate involvement can marginalize or exclude two important social economy actors in Fair Trade: small producers and co-operatives in the Global South, and their supporters and partners in the Global North.

How can you use this research?

Policy makers, entrepreneurs and Fair Trade advocates may find this research useful. It provides insight on policy changes that may be considered on a national and international level to make fair trade practices more clear and equitable. The research findings also reveal the value from investing in Fair Trade, for both small scale producers and interested consumers.

About the Researchers

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