Practicalities in Trade   
Affirmative Brief by Alisa Stringer



In the debate between fair and free trade, many believe that free trade ought to be preferred because it is more practical. It is common for people to view trade in terms of the cash benefits to the consumer. In addition, some negative debaters will attempt to claim that fair trade is a band-aid solution; It works in the short term but fails to address the underlying issues.

This argument was raised in the NCFCA Lincoln-Douglas Release #20: “Economic Development” (Neg) (12/17/2018) by Naomi Matthew, who wrote that:

Instead of attacking the symptoms of poverty (sweatshops, low wages, harmful working conditions), free trade solves the root issue by promoting economic development. For example, free trade has an impressive record of reducing poverty.

The following evidence is intended to support two major arguments. First, in practice fair trade addresses the major issues that plague developing areas. Second, practicality should always be viewed from both the perspective of the consumer and that of the producer. If we ever fall into the trap of thinking about practicality only in terms of our own wallets, we do a disservice to those in need around the world.

The tags used in this brief include:

1. Efficiency of Fair Trade
2. People are Willing to Pay for Ethical Production
3. Fair Trade Benefits Farmers
4. Positive Effects of Fair Trade
5. Free Trade Favors Those with the Deepest Pockets
6. Success of Fair Trade
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8. Measurable Advantages of Fair Trade
9. Fair Trade Promotes Responsible Consumerism
10. Long Term Benefits of Fair Trade

Practicalities in Trade

**Efficiency of Fair Trade**

“The Economics of Fair Trade.” Harvard, September 10, 2013. https://scholar.harvard.edu/files/rdragusanu/files/jep\_firstdraft\_sept10\_2013.pdf

Our overview about the theory and empirics of Fair Trade and other voluntary certifications highlights a number of important points. First, the existing empirical evidence (e.g., the work by Michael Hiscox and coauthors) provides strong empirical evidence that consumers highly value goods produced in a socially and environmentally responsible manner. In addition, these same findings show that the existing Fair Trade label conveys credible information that affects consumer demand. The upshot of this is that there are efficiency and welfare gains to be had from credible third-party certifications, like Fair Trade, that provide consumers with information about the production process. 35 The existing empirical evidence, based primarily on conditional correlations, suggests that Fair Trade does achieve many of its intended goals. Studies generally find that Fair Trade farmers receive higher prices, have greater access to credit, perceive their economic environment as being more stable, and are more likely to engage in environmentally friendly farming practices.

**People are Willing to Pay for Ethical Production**

*Elizabeth MacBride. “Jens Hainmueller: Will Consumers Actually Pay For Fair Trade?” Stanford Graduate School of Business, April 8, 2015.*

<https://www.gsb.stanford.edu/insights/jens-hainmueller-will-consumers-actually-pay-fair-trade>

The research is important, Hainmueller says, because it indicates the fast-growing fair-trade model might have real economic underpinnings. Already, more companies have started adding fair-trade labels on their products. The average annual growth rate of U.S. sales of fair-trade-certified goods was close to 40% between 1999 and 2008. But it’s still a nascent industry. Total sales of fair-trade goods in the United States in 2011 amounted to about $1.4 billion — only about one-fortieth of the U.S. market for certified organic produce. Some companies have been marketing goods as fair trade without making the riskier move of raising prices. But if people are willing to pay more for ethically produced goods — and the research is one indication that they will — then there’s a chance that companies that can charge more will actually pay suppliers more and thus produce real change in the developing world.

**Fair Trade Benefits Farmers**

Chris Bacon “Confronting the Coffee Crisis: Can Fair Trade, Organic, and Specialty Coffees Reduce Small-Scale Farmer Vulnerability in Northern Nicaragua?.” University of California: Santa Cruz, January 10, 2004. https://escholarship.org/uc/item/0xn3f86t

Most farmers sell their coffee to multiple markets. Nicaraguan cooperatives linked to organic and Fair Trade markets sell up to 60% of their coffee through conventional markets. Thus, the average price for all the coffee sold by the farmer may be significantly less than prices paid in the different alternative markets. For example, although the 11 cooperative members received US$1.09/lb for the portion of their coffee sold directly to the roaster, the average price for all their coffee was US$0.58/ lb. 7 Thirteen members of a cooperative linked to organic and Fair Trade markets averaged US$0.56/lb. In comparison, farmers selling to conventional markets averaged US$0.40/lb.

**Positive Effects of Fair Trade**

“Assessing the Impact of Fairtrade on Poverty Reduction through Rural Development.” Centre for Evaluation at the University of Saarland.

[*https://www.fairtrade-deutschland.de/fileadmin/DE/mediathek/pdf/fairtrade\_impact\_study\_evaluation\_report\_en.pdf*](https://www.fairtrade-deutschland.de/fileadmin/DE/mediathek/pdf/fairtrade_impact_study_evaluation_report_en.pdf)

Fairtrade can bring important positive changes to rural areas. As the study shows, Fairtrade can thereby improve the living circumstances of workers and small-scale farmers. Fairtrade also creates the preconditions for rural development to take place on many fronts. The increased levels of saving and investment activity on the part of small-scale farmers and workers play a central role here. The crucial factor is that the planning horizon of the rural population becomes longer term. On the one hand, this is due to the protection against price falls guaranteed by Fairtrade, but is also on the other hand a result of the better contractual situation of workers (permanent positions). Nevertheless, the number of Fairtrade certified smallscale farmers and workers is mostly too limited to identify a significant impact at a regional level. As for the effectiveness of the Fairtrade approach in general, it has been shown that the quality of organisation, the motivation of the respective decision-makers (management or cooperative management board) and the general knowledge and understanding of Fairtrade among the respective farmers and workers are critical success factors. Of significance therefore is the extent to which the hierarchies and individual (key) positions influence the communication and information flow between the various positions and levels (management, workers, cooperative members, administration). The same goes for cooperation and the information flow between the committees of the producer organisations and local institutions, for example in the spheres of education or healthcare. A low level of education and/or literacy, as identified in the cocoa case study, compounds the difficulties in terms of internal communication. In the examples studied the above-mentioned critical success factors could often be seen as positive, especially in the cases of coffee, bananas and flowers, although this was not the case everywhere. It is apparent in the less successfully functioning examples (cocoa and tea) that the respective producer organisations were, at least until recently, only able to sell very low volumes of their products under Fairtrade conditions. This may suggest that signifi- Fairtrade Impact Study ix cant sales on the Fairtrade market could be a further requirement to enable members and/or workers in a Fairtrade certified organisation to benefit from this certification to the extent that was expected.

**Free Trade Favors Those with the Deepest Pockets**

John Stencel “Free Trade Versus Fair Trade” University of Denver, August 14,2008.

*<https://www.law.du.edu/documents/djilp/36No3-4/Free-Trade-Versus-Fair-Trade-John-Stencel.pdf>*

Free trade conventional wisdom assumes that if farmers and ranchers operate in the free market, the most “efficient” producers will prevail, while the “less efficient” producers will finally fail when taken off the government dole. Of course, the problem with this assumption is that it is simply not true. Contrary to conventional wisdom, it is not the most efficient that will prevail, but rather those with the deepest pockets who can afford to stay in the game the longest. Economic theory that maintains countries quit producing agricultural commodities if prices get low enough is flawed, primarily because other nations view food production as a national security issue, and will produce food for their citizens regardless of the price. Economics assumes that trade takes place between equal entities. It ignores the fact that the world is filled with those who are unequal in size and strength, and it ignores that giant corporations are capable of dominating conditions of trade at the expense of smaller businesses and individuals. That is exactly the case in agriculture, and it is especially true in the global marketplace. Fair Trade Coffee creates co-ops that are good for farmers

**Success of Fair Trade**

Douglas L. Murray, Laura T. Raynolds, and Peter L. Taylor. “The future of Fair Trade coffee: dilemmas facing Latin America's small-scale producers.” Development in Practice, Volume 16, Number 2, April 2006 https://cfat.colostate.edu/wp-content/uploads/sites/63/2010/06/Murray-Raynolds-and-Taylor-2006.pdf

Broadening and deepening Fair Trade means expanding participation and increasing the benefits captured by the rural poor, while maintaining and strengthening the core values of the Fair Trade movement in the Global South and the North alike. As we have demonstrated, the efforts to broaden Fair Trade's economic impact among small-scale producers in Latin America are creating challenges for deepening the vision and political impact of a movement that is based on social justice and environmental sustainability. In a sense this should be seen as evidence of Fair Trade's success, and in some ways should be understood as a normal part of a maturing social movement. But it is not likely to be resolved easily, or soon. It will be a primary focus of the ongoing research initiatives that generated the preliminary findings on which this article has reported. Clearly, it is the commitment to achieving both goals that holds the most promise for the significant and lasting impact of not only Fair Trade, but of the grander efforts to create an alternative course of globalisation

**Fair Trade Alleviates Poverty**

Ashley Overbeek. “Examining the Efficacy of Fair Trade and Alternative Consumption on Environmental Sustainability and Human Rights in Developing Countries.” Stanford University, Accessed 1/2/2019. https://academiccommons.columbia.edu/doi/10.7916/D89K4P3T/download

Specifically with Fair Trade, Murray et al (2006) deems Fair Trade a mechanism that has become “a dynamic and successful dimension of an emerging counter-tendency to the neo-liberal globalization regime.” Alternative consumption and Fair Trade create a link between the producers in the Global South and consumers in the Global North, allowing a personal, albeit Consilience Overbeek: Efficacy of Fair Trade in Developing Countries sometimes one-sided, relationship to develop, shortening the supply chain and creating more transparency in the traditionally opaque and oppressive global market system. The willingness of consumers to pay the Fair Trade premium, which has made significant documented effects on poverty alleviation and environmental conservation in developing countries, has been ushered in by the personal, anecdotal marketing that is used to promote alternative consumption, but can also shape certification requirements to a Northern ideal. Taylor (2004) elaborates, stating, “Fair Trade objects to the abstraction of the market as a depersonalized mechanism operating outside of social institutions and cultural values. It recognizes that economic activity is a social activity invested by humans with social and cultural meaning.” One of the biggest concerns for Fair Trade is the need to include producers in the decision-making processes while the expansion of the organization creates the potential for even more influence from multi-national distributing corporations. However, overall, alternative consumption has been an important factor in improving workers’ conditions and outcomes – both socially and environmentally – within the communities in developing countries

Measurable Advantages of Fair Trade

“Does Fair Trade contribute to sustainable development?” CTA Brussels, April 16, 2008. https://brusselsbriefings.files.wordpress.com/2012/10/br-5-reader-br-5-fair-trade-eng.pdf

The financial and economic benefits of Fair Trade can be measured relatively easily: In 2003, the extra benefits for coffee farmers, for instance, taking the World market price as defined for Arabica by the NY and for Robusta by the London stock exchange, compared with the Fair trade minimum price and premium, amounted to over 23 million euros. However, research has shown that the impact is even more significant in non-economic areas, such as the empowerment of producers through capacity building and technical assistance, income security, direct trade and credit provision, etc. Many studies found also an improved level of education, the preservation of indigenous cultures and other social benefits. Apart from these direct impacts there is a wide range of spill-over effects and indirect impacts to nonFair Trade producers. The presence of Fair Trade intermediaries can bring changes in weighing practices and price information which ultimately benefits all producers in the area. The organisation of producers helps to break monopolies on prices and transportation32.Chief Promise of Fair Trade Coffee: Reduce Poverty (not lived up to)

Fair Trade Promotes Responsible Consumerism

“Contributing to Sustainable Development: The role of Fair Trade and nongovernmental trade-related sustainability assurance schemes.” Commission of the European Communities, May 5, 2009.

[*http://trade.ec.europa.eu/doclib/docs/2009/june/tradoc\_143373.pdf*](http://trade.ec.europa.eu/doclib/docs/2009/june/tradoc_143373.pdf)

Fair Trade has played a pioneering role in illuminating issues of responsibility and solidarity, which has impacted other operators and prompted the emergence of other sustainability regimes. Trade-related private sustainability initiatives use various social or environmental auditing standards10, which have grown in number and market share. The best known social standard is perhaps SA8000, initiated by Social Accountability International (SAI) in 199711. Assurances that extend into broader issues, including both social and environmental criteria, are for example Utz certified and the Rainforest Alliance (RA).

Long Term Benefits of Fair Trade

Ruerd Ruben. “Measuring the impact of fair trade on development.” Development in Practice, August 2009. <https://www.tandfonline.com/doi/full/10.1080/09614520903027049>

Further analysis of the welfare effects at the level of household expenditures, wealth, and capital assets reveals more substantial impacts. While overall expenditures are generally not significantly different between both categories of household, some FT producers show a consistently higher proportion of expenditure on long-term investments in household durables, farm and house improvements, and particularly education (even when, as in the Costa Rican coffee case, total expenditures are lower). This implies that FT farmers may not appear to be wealthier, but that they allocate their disposable income to other spending purposes that are in the medium to long run likely to improve their welfare and asset position. Another important aspect concerns observed changes in assets or capital stocks. This indicates whether (past) returns have been invested in capital accumulation, and if FT households Figure 1: Impact of fair-trade coffee and bananas on net household incomes 782 Development in Practice, Volume 19, Number 6, August 2009 Ruerd Ruben, Ricardo Fort, and Guillermo Zu´n˜iga-Arias Downloaded By: [Ruben, Ruerd] At: 14:22 23 July 2009 could benefit from improved credit access. Both capital resources and savings contribute to better economic prospects for future investments in income-enhancing activities that reinforce the capacity of households to withstand adversity. Almost without exception, all case studies reveal substantial and significant positive effects for FT households with respect to credit access and asset value. Delivery contracts with FT outlets appear to offer suitable collateral for increased borrowing. Most investments in assets concern household durables, some acquisition of cattle, and – to a minor extent – investments in land improvements and acquisition (by hire or purchase) of new land.