Katarzyna Magda Tarasiewicz, Rikke Lykke Andersen, Nikolaj Gedionsen
4th Semester, SIB
International Studies
Roskilde University

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Institut for Samfund og Globalisering

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Katarzyna Magda Tarasiewicz; 50015	Fagmodulsprojekt	IS-B1
Rikke Lykke Andersen; 49708	Fagmodulsprojekt	IS-B1
Nikolaj Gedionsen; 49294	Fagmodulsprojekt	IS-B1
Vejleders navn:		
Adam Moe Fejerskov		
Afleveringsdato:		
26.05.14		
Antal anslag inkl. mellemrum: (Se næste side)		
77974		
Tilladte antal anslag inkl. mellemrum jf. de udfyldende bestemmelser: (Se næste side)		
108000		

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Disclaimer

In this project we will be using a technical distinction between the terms 'fair trade' and 'Fair Trade'. Their respective definitions will be elaborated later, this distinction concerns the more general and technical difference between the lowercase and the uppercase.

The lowercase 'fair trade' will be used as a general concept in the more broad all-encompassing way. The uppercase 'Fair Trade' will be used in extension to, and understood through, the established Fair Trade Organizations (FTOs). This distinction is made because this project will be discussing different FTOs and their different approaches to fair trade as a concept.

Problem Area

When in 1946 a volunteer from Mennonite Central Committee, Edna Ruth Byler, who worked together with poor women in Puerto Rico came back to the U.S. and sold handmade linen through her church, nobody expected this to be one of the starting points for what would be known as fair trade. These events became the beginning of, among other things, volunteer-based chains of shops that later grew into organizations that set out to establish a more balanced supply-chain between the 'Global North' and the 'Global South' (NSD, 1999). These fair trade organizations worked out from the conviction that the world trade system required a structural change.

This global movement of supporting small producers began to grow up independently in different parts of the world and led to the foundation and fusion of several large FTOs and their respective Fair Trade certification divisions. The establishment of Fairtrade International (FLO) and the launch of the Fairtrade International Certification Label in 2001 was a big step in the 'mainstreaming' process of fair trade (Goodman, 2012).

Fair trade is a social movement which aims to support local economies in the developing countries in the Global South. It is based on the idea that the international market is unequal and has for years been perceived as an instrument of fighting market inequality. The idea was a response to the neoliberal market system which was, and still is, the dominant trade system today. In a neoliberal market system the ideal form of trade is free trade in which the state should only intervene in order to create boundaries within which the trade should take place. In a neoliberal context, the concept of fair trade was used to describe the process of state regulation undertaken to diminish the unfair advantage the developed countries had over the countries from the Global South (Wunderlich, 2011).

Transnational corporations (TNCs) are the big players in the international market and their dealings span the globe. Of course it is different from which types of production that are in focus, but […] *it is cheap, unskilled, non-unionized labour that is being sought* [...] (Dicken,

2011, p. 113) by TNCs. Being the capitalist ventures the TNCs are, and their ability to work across several nations, it makes sense that they would seek out the cheapest way of production. It is of course not all TNCs that are considered to search for cheaper production costs in the Global South, but it is undeniably one of the largest attractions the Global South has to offer large TNCs. And it is when the relation between TNCs and their employed Global South producers is unbalanced the FTOs "sound the alarm" and seeks to restore it.

FTOs are fundamentally connected with consumerism, in the sense that they rely on enlightening the consumer and maybe offer Fair Trade alternatives of a given product. In order to signal that a product is Fair Trade many FTOs use a special FTO certified label, which requires the recipient to live up to a certain set of Fair Trade standards. This label is a guarantee that the product in question was produced under better social circumstances for the (Global South) producer that normally.

So, when the FLO launched their Fairtrade International Certification Label and was swiftly seen on many known TNC products, it would seem that a large objective had been reached for the involved FTOs. Yet, when an organization, such as the FTOs, struggles against inequality in trade in relation to TNCs, and considering the profit-seeking nature of the TNCs; can a relationship between the two then actually be balanced? Why would a TNC let its dealings be interfered with by a FTO' set of requirements? And do the producers actually get a better deal in the end? It was these considerations which have led us to the following problem formulation and working questions:

Problem formulation
How has the relationship between TNCs and FTOs influenced the Fair Trade sector?

Working questions
1) What is the relationship between TNCs and FTOs?
2) How has the relationship between TNCs and FTOs influenced the certification process?
3) What is the impact of the 'relationship' at the producer level?

Analytical Framework

In this chapter the research design will be presented, starting with an introduction to the project. Then a step-by-step of the analysis of our working questions will be portrayed, ending with an overview of how this project will answer the problem formulation. Lastly, a short depiction of delimitations will be presented.

Research design

This project will take an exploratory approach to our problem formulation in the sense that we want to explore the consequences of the TNCs' effect on the Fair Trade sector by analyzing the relationship between TNCs and FTOs.

The Fair Trade market is as many-faceted and encompassing as any place where trade is taking place. Therefore, in order to narrow down an area of inquiry within this broad area, we took an initial look at what the contemporary Fair Trade sector was composed of.

Of the things we learned from our preliminary inquiries, we found the relationship between TNCs and Fair Trade to be unclear and therefore chose an exploratory approach. We wanted to discover the nature of the relationship between TNCs and FTOs and how that relationship has influenced the contemporary Fair Trade sector.

Considering our exploratory approach we will be adopting an inductive method in the sense that we will not be depending on one single theory to base our analysis on, but we will be using numerous scholarly works as the foundation upon which we analyse our working questions. This is done because of the nature of our subject, being as comprehensive as it is, and because we found the best approach was to explore the trends in the literature surrounding Fair Trade in tandem with examples from many elements of Fair Trade. In other words, to answer our presented problem formulation and working questions we will be using several sources and drawing on different cases from different areas within the Fair Trade sector. This drawing

together of many elements and support from a diverse set of cases will illustrate the relationship between TNCs and FTOs in a more clear and comprehensive way.

As mentioned earlier, we have chosen an exploratory approach and we will rely on mostly inductive methods and second hand data. We will start with a conceptualization chapter where we will be giving definitions on our use of fair trade, FTOs and TNCs. This will be followed by a review of our choice of literature, as we are using many different sources continuously we found it prudent to present them in an orderly way. This review will also be helpful for the overview of this project in connection with our exploratory approach. In other words, because we use many different sources and cases the review will highlight how the different academic sources will support our findings. Additionally, the working questions are presented in order, meaning that the first working question must be answered in order to answer the next, etc. This will lead to a more structured and illustrated conclusion.

In our first working question we will begin by expanding on the definition of Fair Trade and the Fair Trade label. Following, we will distinguish between FTOs by their attitudes towards TNCs. Then we will investigate the TNCs' own approach to Fair Trade. Then we will take small look on what impact the relationship between FTOs and TNCs have had on consumers. Lastly, we will put these findings together and present an answer to our first working question.

In our second working question we will constitute what the collaboration between TNCs and FTOs has done to and for the Fair Trade certification process. Firstly, we will start by taking a short look at the certification process and its implications on the Fair Trade system. Secondly, we will be investigating the changes the TNCs' relationship with FTOs have made to this process. Thirdly, the consequences of the different approaches will be discussed. Lastly, a short review on some of TNCs' actions in relation to certification process will be presented.

In our third, and last, working question we will examine how the previously presented elements has had an influence on a number of producers within the Fair Trade sector. Firstly, value chain analysis along with framing strategies will be utilized to examine how the inclusion of TNCs

have impacted producers. Secondly, an analysis will be made of how the mainstreaming of fair trade has influenced the relationship between producers and Fair Trade. Thirdly, the implications of certification the relationship has had on producers will be analyzed. Furthermore, an account of the beneficial impacts on producers will be given. Lastly, by focusing on the influence TNCs and FTOs has had for the producers, we will present a conclusion to our third working question.

To answer the problem formulation we will shortly review the answers to the different working questions. Then a final conclusion will be made where we will tie the previous answers together and present an answer to our problem formulation.

Delimitations

Because of not being able to observe an intangible subject such as the relationship between TNCs and FTOs, we found that an exploratory approach was prudent. We were not able to go to the producers themselves and a larger survey of consumers would expand beyond the scope of this project's criteria. By extension, we opted not to focus on consumers exclusively as we found that the actions and goals of both TNCs and FTOs were already mired in these considerations. So, our choice of focus, although broad in itself, can be seen as a type of narrowing down yet with the possibility to understand the bigger picture.

Initially, we considered focusing on a single case study (e.g. focusing only on the Fair Trade cocoa sector and the producers' wages in this sector) but after our preliminary research we found that it would be both possible and more rewarding with our chosen broader focus. We also decided not to include a perspective of the states' involvement as both TNCs and FTOs work with issues that are imbedded in international dealings, and whose "end goals" are not influenced by states in the manner we found interesting.

Our preliminary research also strengthened our original lack of understanding of the relationship between TNCs and FTOs, in the sense that there was very little literature that dealt exclusively with the cocoa sector. This was also one of the reasons we opted for the previously presented inductive method with use of several sources.

Conceptualization

In this section we will, firstly, convey a technical disclaimer. Secondly, fair trade as a concept will be defined and put in connection with FTOs, followed by a portrayal of the FTOs' use of certification. Lastly, a short definition of TNCs will be presented.

Fair trade and the Fair Trade Organizations

Fair trade 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 of, marginalized producers and workers – especially in the South* (Osterhaus, Piras, 2006, p. 10).

Fair trade is fundamentally linked to the idea of an unfair market and started out with being considered an agenda for Non-governmental Organizations (NGOs) that were concerned with development of the Global South (NSD, 1999). The concept of fair trade is consequently closely linked with NGOs and […] *more often than not, development NGOs are in some way involved in transferring resources from societies which have plenty to those who have little* (Pearce, 2000, p. 12). So, fair trade as a concept, has become an attempt to balance an otherwise unbalanced supply chain between the neo-liberal Global North and the developing Global South.

Fair trade is an alternative approach to trade; a social movement which aims at supporting the fight against poverty in the Global South. Although the term 'fair trade' was first used in 1985 by Michael Barratt Brown during the Trade and Technology Conference in London during which he said: *We have had enough of unfair trade; it is time to have some Fair Trade* (Osterhaus, Piras, 2006, p. 8), the origins of the concept dates back to 1946 when a volunteer from Mennonite Central Committee, Edna Ruth Byler, who worked together with poor women in Puerto Rico came back to the US and sold some handmade linen through her church. It became the beginning of Ten Thousand Villages (formerly Self Help Crafts – both started as volunteer organizations)

and the global movement of supporting small producers which began to develop independently in different parts of the world, the Worldshop being one of the first big initiatives (Osterhaus, Piras, 2006).

Some of these volunteer organizations later formed into what we know as FTOs and can be best defined by understanding it as a […] *response to the negative effects* […] *of contemporary international trade* (Murray, et al., 2007, p. 6). Most contemporary FTOs seek to balance unequal trade by offering producers better terms of trade by creating a certification system. The labelling of Fair Trade products was introduced in the 1990s after the crisis in coffee prices, which highly influenced small farmers. The intention behind the label was to […] *shift much larger quantities of coffee than it was possible through the Worldshop network* (Osterhaus, Piras, 2006, p. 13).

In 1997 the Fairtrade Labelling Organizations International (FLO) was established when 21 national labelling organizations came together. FLO is a body responsible for […] *setting international Faitrade standards, for supporting producers, for certifying production and auditing trade according to these standards and for the labelling of products* (Osterhaus, Piras, 2006, p. 13).

An independent organization, FLO-Cert GmbH, carries out the certification and trade auditing. Fair Trade on the international level is based on five international associations, all of which focus on creating opportunities for closer cooperation aimed at improving markets for the Global South and the international trading system by supporting small producers. These are: The International Fair Trade Association (IFAT), The European Fair Trade Association (EFTA), The Network of European World Shops (NEWS!), Fairtrade Labelling Organizations International (FLO) and The Fair Trade Federation (FTF).

In 2009, 827 FTOs existed of varying size. These organizations seeks to consolidate a set of guidelines for, what they consider a fairer distribution in the internationaæ trade-chain, and with strategies for implementing them. A FTO can focus on many different issues such as, improving

livelihoods of producers in trade, anti-child labor, consumer awareness, promote development and environmental sustainability, and generally further social justice (Murray, et al., 2007).

Transnational Corporations

TNC is, in short, a firm [...] *that has the power to coordinate and control operations in more than one country* [...] (Dicken, 2011, p. 110). This is not a new concept, and the phenomena have many names; international firms, multinational enterprises or global corporations (O'Brien, 2013).

There are many ways for a firm to reach TNC status and it need not to be an indication of increased profit or size, although it most often is. The conventional view on how a firm evolves into a TNC is starting as a domestic operation, in both production and market, that expands beyond its start-nation's border, whether by market power, technological expertise or in search of cheaper supplies (Dicken, 2011). These steps usually involve moving production and services to other areas/countries, often in search of lowering the company's' expenses in some way or another.

This move of production to less costly areas led (and still lead) TNCs to 'developing countries' (UN, 2014), or the Global South, for cheaper resources, production, labor, less taxation and/or more lax policies, etc. This led to, what some would classify as, an […] *unequal relationship between North and South in relation to terms of trade* (Lewis, 2005, p. 5) and these […] *current critiques of international trade rules, subsidy regimes and supply chains* […] *are increasingly being taken up by mainstream movements and radical activists alike* (Lewis, 2005, p. 5). It is some of these critiques of the international terms of trade that have prompted FTOs to organize, and why we find it interesting to look at the entities that institute the international market – the TNCs.

Literature review

Before presenting the findings of this project an account of the theoretical point of departure will be given, herein, an account of the scholarly literature surrounding or key concepts of this project. This project seeks to examine the impact the relationship between TNCs and FTOs has on the Fair Trade system. This means that the literature that has gone into this project revolves around the four main concepts within the Fair Trade system: TNCs, FTOs, producers and consumers. As this project focuses upon the entry of TNCs and the effects this has had on the Fair Trade sector, sources from before the inclusion of TNCs are focused less upon in the literature used. They serve only to give an introductory view on the field and form a basis for analysing the change that occurred with the entry of TNCs. As this project utilizes an explorative approach, a broad perspective on Fair Trade will be taken thereby including literature from various different aspects within the field and then forming them to give a coherent picture of the chosen question.

The literature used for this project, when dealing with fair trade, agrees on the extent to which it has changed and how this has happened. There is a general consensus of the historical account of how fair trade has come to where it is today. Jens-Uwe Wunderlich and Sam Knowles in *The Politics of Fair Trade* give a precise and fulfilling account of the development of fair trade. This covers both how the developing world struggled in the Bretton wood system and how fair trade came as a reaction to the neoliberal market values. It also touches upon the changes the entry of TNCs has meant for fair trade (2011). The general overview provided by this source is supplemented by a broad selection of literature which each deals with more specific sections of the development of fair trade.

Both Mark Hudson and Darryl Reed focus their research upon the impact of TNCs. Darryl Reed uses value chain analysis in order to examine the impact of TNCs. He makes the distinction between four different categorization of a Fair Trade value chain depending on the extent to which TNC are incorporated (2009). Mark Hudson supplements this research well by dividing Fair Trade's development in regards to TNCs implementation up into two phases. This distinction is based in part on a change in goals and a change in the framing strategies of FTOs

(2013). For research more specifically on consumers' role in the Fair Trade system, Michael K. Goodman in *Alternative Food Networks: Knowledge, Practice, and Politics* gives a well-rounded account of consumer behaviour in regards to Fair Trade and how this changes when TNCs are included into the system (2013). Catherine Dolan works with analysing how the market relates to moral economies. For this project, she has provided input on the extent to which the inclusion of TNCs also referred to as mainstreaming can influence producers through certification, market expansion and standards (2010). For a more topic specific research on the role certifications has played, for the market expansion of Fair Trade, Daniel Jaffee's *Fair Trade Standards, Corporate Participation, and Social Movement Responses in the United States* provides a detailed analysis (2010).

When dealing with the literature on TNCs' entry into Fair Trade, two main strands can be identified, often overlapping. One such approach is the critical approach trying to access some of the more negative consequences for producers, FTOs, and consumers. The other approach analyses the entry in a more positive view, also looking at the impact on producers, FTOs, and consumers, though in a positive light. As mentioned above, the two strands agree on events and to certain extent also in their consequences. It is when it comes to the subjective evaluation of these consequences that a division can be seen. Some view the consequences as an unavoidable sacrifice necessary in order to expand the Fair Trade market, a necessary step to take in order to increase the benefits for producers. If the TNCs were left out of Fair Trade there is a risk […] *that the movement would primarily have a symbolic value*, as Reed states in his paper: *What do Corporations have to do with Fair Trade?* (2009, p. 10). This view represents the more critical approach to TNCs role in Fair Trade. The other strand of Fair Trade literature argues that allowing TNCs to enter into Fair Trade is […] *enabling companies to capitalize on the 'halo effect' of ethical branding* […] and by that transforming Fair Trade, diluting the original values (Dolan, 2010, p. 35).

This distinction in subjective fair trade values, dividing the analysis in fair trade literature can be characterized as a division between idealists and instrumentalists. This is a distinction that Dolan extends to FTOs as well. As in the fair trade literature Dolan explains how FTOs is divided among similar lines, depending on their view of TNCs (2010). She argues that the inclusion of

TNCs characterizes a mainstreaming of fair trade where the […] *north south partnerships* [are] *ever more virtual and depoliticized* (Dolan, 2010, p. 33). This is a point which Ferguson takes up in his book, *The Anti-Politics Machine,* which deals with development projects through a case study of Lesotho's livestock management. Here Ferguson argues that an increasingly technocratic approach to development projects render them ineffective because their universal approach to development fails to take local circumstances into consideration when planning the projects (1990).

Working Question 1

What is the relationship between TNCs and FTOs?

In our first working question we will shortly elaborate on the fundamental meaning of fair trade in order to distinguish the concept from the Fair Trade labels. Secondly, we will identify two distinct FTO approaches to TNCs. Thirdly, we will categorize the TNCs' response to FTOs and the fair trade concept, and based on the previous explored material, we will conduct an analysis of their relationship. Furthermore, we will take a small look at the consumers' role in that relationship. Lastly, a conclusion to the working question will be presented.

In the beginning, people buying Fair Trade were mostly supporters who understood the philosophy behind it and trusted the organizations; however, during the years there has been an extensive growth in Fair Trade. The Fair Trade Label became an essential instrument of Fair Trade. In order for TNCs to label their products with this Fair Trade certified label, the TNCs, must meet a set of Fairtrade Standards and pay a Fairtrade Premium (FTI, 2014). These Standards include better prices, help to labor/product organizing, education, social project, and the like.

The concept of fair trade refers to a wide range of activities of a various nature and there is a big number of components creating the definition. First and foremost, fair trade concerns support and development of small producers and their organizations (most often in the Global South) to enter the trading market, by paying a fair price which covers the costs of sustainable production and living and creating stable, long-term trading relationships. Secondly, fair trade objectives primarily concern the development of small producers and poor workers which is believed to be achieved directly through creating wide opportunities for more efficient production and trade. however, strong emphasis is also put on influencing international organizations and private companies to improve their trading systems and thereby invest in sustainable development (Osterhaus, Piras, 2006). Here the label, and by extension the certification of the Fair Trade Label, and what it represents become important. The certification of Fair Trade is essential in

order to understand the contemporary Fair Trade market and will be elaborated and discussed more thoroughly in the second working question.

Instrumentalism vs Idealism

Traditionally, fair trade had strong philanthropic associations to development aid. In the 1960s, this changed towards an increased focus upon structural reformation of the market. The aim was to change the system through increased market regulation and direct exchange – essentially cutting out the middlemen in the trade between the Global North and the Global South (Dolan, 2010). During the 1980s the neoliberal market values became more significant and the general international focus was upon making market reforms that lessened market regulation and capital control (Dicken, 2011; O'Brien, 2013). The strengthening of the neoliberal values meant that FTOs began to shift their focus from changing the market structure to increasing accessibility to it. The focus was now increasingly upon inclusion over transformation (Dolan, 2010).

With the change in the goal of Fair Trade, disagreement as to the way it was supposed to be done arose. There was a division among the FTOs as to the extent to which they should work within the market system that they at the same time tried to change. This split can be seen in the distinction between what can be characterized as 'instrumental' and 'idealistic' FTOs (Dolan, 2010). Instrumental FTOs wish to utilize TNCs to expand the market and through that increase the scope of its developmental impact. The idealists on the other hand wish to maintain more of the original values and view the inclusion of TNCs as a dilution of the fair trade values (Dolan, 2010).

TNCs and their response to Fair Trade

Corporations have had two different ways of responding to Fair Trade: the 'antagonistic' and 'pre-emptive' response (Hudson, 2013). The antagonistic response to Fair Trade was aimed at if not destroying then at least limiting the mainstream popularity of the movement. This was done by completely dismissing some of the concerns of Fair Trade. The antagonistic approach argues that Fair Trade standards are founded in compassion and could risk actually making the problems they seek to rectify even worse, due to poorly informed organizations. The antagonists believe

that Fair Trade undermines the market forces. When dealing with one of the main goals of the FTOs, the minimum price, the antagonists believe that trying to artificially create a minimum price, something that the market forces would otherwise take care of on its own will create new problems such as oversupply. Antagonists also believe that one of the best ways of aiding the producers is by expanding the market. This is a job for the corporations and is often done through extensive marketing. This approach to producer aid further increases commodity fetishism instead of decreasing it, as Fair Trade aims to do (Hudson, 2013).

The other response to Fair Trade is the pre-emptive response. In this response TNCs recognize that the concerns FTOs voice are relevant and that TNCs are addressing them (Hudson, 2013). This response is becoming increasingly popular as the corporate social responsibility discourse is becoming more important to address by TNCs due to pressure from consumers and Non-governmental Organisations (NGOs). The goal for many of the pre-emptive corporations is to deal with the concerns of the FTOs in the way where they can keep as much control as possible. This can mean only certifying some of the production line and then marketing themselves on that, or, start off their own Fair Trade arrangements or certifying bodies (Hudson, 2013).

Their Relationship

According to some of the idealist FTOs, TNCs' policies are contradictory to the original vision of fair trade and to what it is believed to aim for; supporting the development of local economies so they can separate themselves from the dominance of the international market structure. Many of the idealist FTOs that have been opposed to the TNCs' participation in Fair Trade describe them as […] *creating significant pressures for the dilution of fair trade values and standards* […] and […]*'bastardizing' fair trade principles and jeopardizing the market's long term-sustainability* (Hutchens, 2010, p. 79). Others have searched for explanations to prove that this increased corporate participation within Fair Trade has been purely driven by an opportunity to benefit from Fair Trade. Instrumentalist FTOs has established potential benefits by including corporate participation from Fair Trade. The major motivational force, which, according to the instrumentalists, can be justified by the fact that TNCs' involvement in Fair Trade has to a large degree contributed to Fair Trade success on a world scale, is that leaving the Fair Trade system

to itself might cause a decrease in its effectiveness in promoting growth in the Global South and incorporating its producers into the worldwide network (Reed). Positions on TNCs' influence and contribution to the Fair Trade system are evenly spread between their proponents who believe that TNCs play a significant role in promoting development and opponents who argue that non-corporate form of Fair Trade would be more coherent with the fundamental values and principles of the Fair Trade system (Reed, 2009).

According to Anna Hutchens, the possibility of opening up the market in order to improve the production results of small producers and invite new producers to the market is one of the reasons why FTOs and TNCs might want to enter into a relationship: *For some, major firms represent an unbeatable opportunity for market growth and producer-level impact.* […] *so long as the product undergoes certification, any firm – from Nestle to fair trade organizations (FTOs) – can and should be encouraged to promote fair trade* (Hutchens, 2010, p. 75). Some critics - and idealist FTOs agree - claim that expanding the market for Fair Trade products through increased corporate participation in Fair Trade, creates significant negative changes in the system.

However, TNCs' potential to expand the market for Fair Trade might have been a reason for many FTOs to accept them as business partners. Having big companies like Nestlé, McDonalds, or Starbucks sell Fair Trade products would increase the production by several times and also help promote the philosophy of Fair Trade. The example of Twin Trading (an alternative trading company) and Divine Chocolate Ltd (a leading Fair Trade chocolate producer) shows that Divine Chocolate's mission is to […] *take a quality affordable range of Fair Trade chocolate bar into the UK mainstream chocolate market*, […] *pay a Fair Trade price for all the cocoa used in the chocolate sold,* […] *to raise awareness of fair trade issues among UK retailers and consumers of all ages* and […] *be highly visible and vocal in the chocolate sector and thereby act as a catalyst for change* (Nichols, 2007).

By creating possibilities of rapid extension of the international market for Fair Trade goods TNCs bring risk of threatening the main and original objective of fair trade – empowering Fair

Trade producers in the Global South and fighting for equity in international trade. TNCs participation could be possible and acceptable if they committed themselves to CSR (Corporate Social Responsibility), and therefore decided to pay wages which would provide small producers with decent living conditions (Kitazawa, 2014).

Fair Trade market and consumers

Over the years the understanding of Fair Trade has become limited to "fair price" being paid to local farmers in Global South by a range of actors within the Fair Trade value chain. Consumers have been prompted to participate in this fast growing social movement by being told that purchasing Fair Trade products supports the living conditions of small producers, and therefore they are willing to pay a higher price than for the regular products. However, Fair Trade is not just about paying the Fair Trade price. It focuses on the process of creating long-term relationships with producers, which aim is to […] *maximize benefits going back to the most vulnerable people in the supply chain in ways that challenge the existing terms of trade* (Hutchens, 2010, p. 84).

Michael K. Goodman calls the TNCs use of Fair Trade the 'mainstreaming' of fair trade. According to Goodman, before the mainstream of fair trade the FTOs certification label was a type of "specialty" products, where the consumer had to actively choose a separate Fair Trade product. The Fair Trade products were often more expensive and not nearly as promoted as their mainstream counterpart, but this made choosing fair trade a conscious decision of ethics and/or politics. The FTO were firmly embedded in the label and could almost be considered TNCs in their own right. This approach still placed consumption in the center but gave the possibility of making it an act of responsibility (2012).

The TNCs' use of Fair Trade was urged by NGOs, FTOs, and consumers alike. It not only gave small-time producers in developing countries enhanced terms but also gave the TNCs an improved image and a better chance of mass-distributing to e.g. large supermarkets (Goodman, 2012).

The mainstreaming of fair trade through TNCs resulted in that the previous 'active choice' and

'ethical consumption' has become normal. It is no longer possible to choose a non-Fair Trade Kit-Kat and the sense of FTOs being a vanguard for sustainability and development has diminished. The consumer choice has become a business decision in search of increased market share. Yet, paradoxically, this mainstreaming is desired by the FTOs, and the increased market share simultaneously increase development for the producers of the Global South (Goodman, 2012).

Part Conclusion

When investigating TNCs relationship with FTOs, one should look upon it as a process-oriented movement involving multiple actors interconnected by a common goal to develop relations through investment and cooperation.

Yet, it is important to keep in mind that TNCs are fundamentally profit-oriented and it is arguably one of the main reasons why TNCs enter into the Fair Trade market. For antagonistic TNCs the choice of Fair Trade is simply a bad business option, or worse, a competition. For pre-emptive response TNCs the choice of going Fair Trade was certainly a double-win, in the sense that it got a label on its product that gave the signal of the TNC having a social conscience, which might be a very useful thing for some of the TNCs that have experienced pressure from consumers and NGOs. Simultaneously, the TNCs could (because of their size and cooperation) set some of its own criteria.

Combined with the pressure from consumers, FTOs and the possibility to set some of their own terms, this long-term investment in a "better" image's cost is a small price to pay.

From the instrumentalist FTOs' point of view the TNCs ability to expand the Fair Trade market and take their values to the contemporary market is a dream come true. The instrumentalists believe that they are not able to change the market when going up against mammoth-sized TNCs, therefore it is better to use these TNCs to promote their agenda while accepting the changes imposed by the TNCs. Especially, considering what the TNCs might consider a "small" investment the FTOs might consider a huge benefit for the producers they are trying to help. For

the idealist FTOs the changes and the way TNCs might use Fair Trade simply goes against all that fair trade set out to accomplish. In conclusion, the relationship between TNCs and FTOs can be viewed from different facets according to what view and standpoint is taken on the consumer market.

Working Question 2

How has the relationship between TNCs and FLOs influenced the certification process?

In this section, we explore how cooperation between Transnational Corporations (TNCs) and Fair Trade Organizations (FTOs) has influenced the certification of Fair Trade. Firstly, a short introduction to the process of certification will be provided, with a particular focus on how it has influenced the fair trade market by the establishment of the certified Fair Trade Label. Secondly, we will look upon various positions towards TNCs and possible actions they have been taking in relation to certification. Lastly, we will elaborate on the effects of the above on the credibility of Fair Trade and sum it up with a short conclusion.

Certification

TNCs' participation in fair trade is related to the certification process which, starting from 1990s, was about to introduce changes to a non-corporate form of fair trade. Most of the Supermarkets required assurance that, e.g. their fair trade coffee was really a means of supporting farmers. However, it was not easy due to lack of a single Fair Trade label. For instance, in the Netherlands it was named 'Max Havelaar', after the fictional Dutch character that fought against the exploitation of workers on Dutch coffee plantations. It was followed by many other labelling initiatives, […] *each with their own version of the Fair Trade Mark* (Osterhaus, Piras, 2006, p. 13). They resulted in the formation of organisations which aimed to reach a significantly high level of sales of small farmers' products in the Global North and it […] *began the movement's ongoing struggle with the practical and ethical dilemmas involved in market mainstreaming* (Jaffee, 2009, p. 5).

Initially, the Max Havelaar seal was regulated by the civil society initiatives which during the years leading up to 1997 formulated the certification criteria and its practices. Certification was about to bring real changes to fair trade through the establishment of the monitory system over the producer organizations and their products. Together with its standards it sought to […] *"scale up" an alternative market, reaching increasing numbers of consumers […] redressing the*

unjust terms of commodity trade by redistributing capital through guaranteed minimum prices (Jaffe, 2009, p. 5). Shortly after the Fair Trade Label appeared on the world market, it became widely recognizable and began to attract the attention of large companies due to increased consumer interest. These events were followed by a number of labelling initiatives which resulted in creating the main certification body.

Another example of one of the Standard measures the FTOs brought about is one of the main FLO procedures, the Traceability procedure, which is a tool used for verifying and identifying all the steps of a products supply and trade chain, from producer to consumer. It is an instrument which serves Fair Trade as a guarantee that the fairtrade minimum price and fairtrade premium are being received by small producers and that companies which wish to receive the Fair Trade certification comply with all Fair Trade practices (Osterhaus, Piras, 2006).

Fair Trade Label

The Fair Trade certification label, officially established in 2002, is the result of a certification process and a certificate of specific FLO standards and requirements which have to be fulfilled by producer organizations in order to become fair trade so both retailers and customers know what sort of products they are dealing with. These Standards include better prices (or minimum prices), help to labor/product organizing, education, social project and the like. *The Standards are designed to address the imbalance of power in trading relationships, unstable markets and the injustices of conventional trade* (FTI, 2014). Fair Trade's initiative to increase the sales of fair trade goods on the market of the Global North initiated the introduction of a new label which moved fair trade products from specialist retailers into the mainstream markets. It is a means to ensure retailers of products quality and a fair price being paid to the producers as it proves that a labelled product meets all standards set by FLO. That was also a way to, as believed, incorporate the local producers of the developing countries into the Fair Trade network because from now on fair trade certified products could be sold alongside standard products, giving customers the opportunity to support the fair trade movement (Osterhaus, Piras, 2006).

According to Reed, the main goal of the certification program which FTOs are organized around, is […] *conceived of as "empowering" small producers in the South and their local communities* (2009, p. 5). The introduction of certification and its new label did not lead to rapid or significant changes in how the Fair Trade system works. It was about to ensure the consumers that the products they buy were produced under specific conditions which led to support being given to small producers in terms of developing local infrastructure, strengthening internal organization, increasing income and participating in environmental projects (Reed, 2009). However, the label itself does not tell consumers anything about the quality of the product. It is a representation of an established set of characteristics and customers need to trust that those standards have been met by the producers. Therefore it is essential that the Fair Trade label can convey the information. There are two crucial assumptions that need to be fulfilled for the Fair Trade label to be successful (Hudson, 2013). First, it has to be assumed that people care about the production process. Second, it has to be assumed that the label can accurately and undisputedly define what is bad and what is good and which set of rules will lead to the creation of the best product. The first assumption can be justified by the fact that consumers have been displaying an increasing interest in fair trade: certified products sales in 2010 increased by 27% comparing to 2009 and amounted to € 4.36 (Bowen, 2013). Only in the U.S. the total of fair trade sales has increased by more than 200 pounds per year during last 10 years what can be seen on the graph below:

Figure1. Fair Trade Sales in the United States.

Source: Elliot, 2012, Center for Global Development.
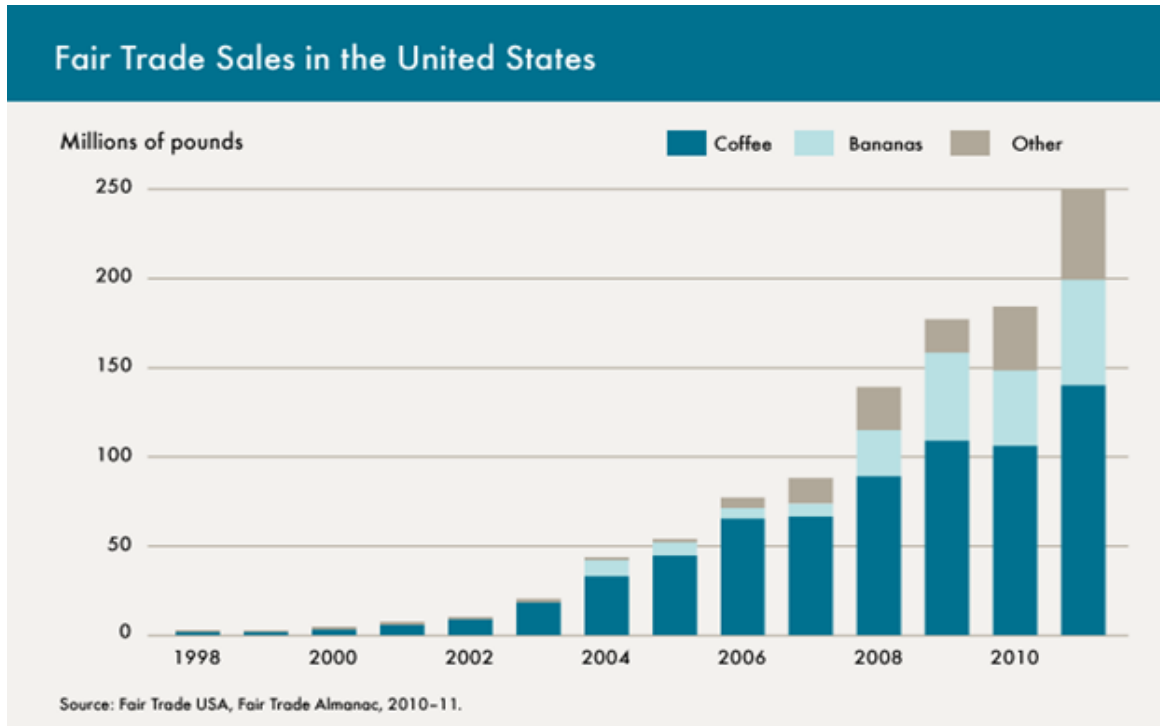
The second assumption is more difficult to fulfil. There is a market for certification with Fair Trade organizations competing to expand on their own specific brand. The different brands have various standards of which none are visible on the product sold to the consumer. With the inclusion of TNCs into fair trade a lot of new labels have entered the market and due to such a variety consumers have imperfect information over the different labels. The confusion which the big number of different labels create can risk hurting fair trade since it is dependent upon consumer's trust as one of its founding assumptions (Hudson, 2013).

TNCs' and certification

The TNCs' entrance to fair trade has been argued to cause significant changes in how the system works and, as many have attempted to prove, greatly influenced the Fair Trade Product Label. Before the corporate participation the fair trade value chain was based upon social economy form of production and aimed at being as short as possible in order to reduce the number of agents between producers and consumers and thereby reduce the distribution costs (Reed, 2009).

Through the certification process fair trade products were to become more accessible to consumers and chosen as the preferable type of product due to being encouraged by an internationally certified label which plays the role of a translation of the certification requirements. TNCs' participation in fair trade is by many believed to generate positive impacts on the Fair Trade system as a whole. Jaffee justifies that their […] *purchases have substantially increased the volume of fair trade sales, heightened the visibility of the movement, and augmented the financial benefits flowing to producers and waged laborers* (2010, p. 268). A big number of brands positively influenced the amount and variety of fair trade products available on the worldwide market. According to others however, TNCs' involvement brought up the risk of a number of negative effects on the Label in connection with bad reputation that some of them have, attempts to incorporate fair trade into their own brands or will to govern the fair trade value chain outside the universal fair trade rules (Reed, 2009).

In the letter sent to FLO representatives in January 2006, the members of the International Fair Trade Association (IFAT), the global network of FTOs, expressed their critical attitude towards TNCs' role in the fair trade movement. They argued that their participation has an adverse influence on the entire Fair Trade system, which instead of relying on cooperation with TNCs should rather focus on developing small local and regional economies. That is because they should me more independent from the international market. They claim that the relationship between Fair Trade and TNCs creates the risk of misusage of the Fair Trade label. TNCs might promote themselves as fair trade even if they do not meet all of the conditions what may also affect the image of the entire Fair Trade system: *A TNC could easily promote itself as "Fair" even if it complies with Fair Trade criteria only in a small part of its overall activity. This will affect the identity and credibility of the whole Fair Trade movement, and cause political and economic problems to Fair Trade Organizations* (Kitazawa, 2014). They argue that some TNCs attempt to gain control over the Fair Trade system in a way so they can decide upon policies and regulations within the system which can result in dangerous consequences for fair trade.

Cooperation between TNCs and Fair Trade also seems to weaken the certification standards due to mainstreaming of the fair trade market which allows TNCs to exercise their market powers

and renegotiate the rules of Fair Trade. When negotiating the conditions of entering into Fair Trade, TNCs proposed their own terms which represented the major part of all entry conditions. They purchased less than 1% of terms issued by FTOs (Bowen, 2013). Another evidence of weakening certification standards can be seen in Fair Trade minimum price levels, which have not increased significantly during last 15 years due to […] *intensified power dynamics in the commodity supply chain* […] (Bowen, 2013). According to IFAT members *They* [TNCs] *often reject the concept and the practice of paying a Fair price* (Kitazawa, 2014).

Some TNCs demand being labelled as licensees as a condition of entering into fair trade, because as licensees they have more control over quality of the products which they are about to sell under their brand. According to Reed, TNCs' participation in Fair Trade, although marked by a great amount of products not being sold under Fair Trade conditions […] *has significantly increased the market for fair trade products* […] and […] *has moved fair trade outside of grocery stores and into other types of commercial retail outlets* […] (2009, p. 14). Therefore, corporate licensing not only opened up the market for a great number of fair trade products, but also promoted Fair Trade and led to an increase in its importance and awareness among consumers in the Global North.

However, according to Reed, some of the licensees engage in strategies which help promote their regular products as fair trade and therefore weaken the certification standards, what is known as 'fairwashing' (2009), with its three main tactics: parallel production, standards dilution and captive certification. Parallel production allows TNCs to use the Fair Trade label for selling goods which do not meet the Fair Trade standards what represents a great part of the overall investment. Such a TNC, giving Starbucks as an example, […] *tries to project an image of itself as socially responsible and even as a "fair trade company" while only paying the fair trade price and living up to other fair trade standards on a very small percentage of its sells* (Reed, 2009, p. 15). Standards dilution, on the other hand, is a strategy which some of the TNCs use in order to pressure the FLO to reduce its standards and lower the entry requirements or to seek other certification bodies and programs which offer lower standards to be met and are different from FLO in the way that they do not pay the minimum price. The last one, captive certification,

is a strategy of setting own standards by TNCs or cooperating with other bodies in order to establish a new set of rules, which will be more suitable for them (Reed, 2009). Application of these tactics by licensees gives them possibility of participating in Fair Trade and benefiting from its market while incurring minimal costs. Moreover, weakening the standards and thereby lowering the bar for entry into the certification process […] *clearly threatens to reduce the potential rent or price premium to be gained from the niche, not to mention consumer confidence in the initiative* (Jaffee, 2010, p. 271). Decrease in quality of the products under Fair Trade label, might cause the shift in the system's reliability and image.

Part Conclusion

However, TNCs do not benefit from Fair Trade only when they apply the above mentioned methods which help them avoid the additional costs demanded by FLO. Small producers in the developing countries receive their so-called fair wages which consist of the Minimum and Premium prices but, as Hutchens argues […] *it remains a very low share of the overall value that is being captured within the chain* (2010, p. 83). Producers are not physically able to capture all the value that their work generates because most of the value takes place in the brand. TNCs which are labelled as licensees and thereby can use the Fair Trade label to maximize their profits, influence the sales through promotion and marketing, but the extra value does not reach the producers.

Working Question 3

What is the impact of the 'relationship' at the producer level?

Throughout this project an account of the relationship between TNCs and Fair Trade along with its impact on the certification process have been given. This working question, besides including new materials and thematics, will take up aspects of what have previously been discussed and relate it to the producer level. In this working question there will first be given an account of the movement from Phase 1 to Phase 2 within Fair Trade and how this move relates to different Fair Trade frames and the outlook of the Fair Trade value chain. Through these changes an account will be given of the impact on the producer level. Then an account of the impact the relationship between TNCs and FTOs has had on the relational ties between producers and Fair Trade. Finally an examination of the impact of the change in the certification process on the producer level will be done.

Phases, Frames and Value Chains

As established, FTOs did not initially engage with TNCs. This period is by Hudson et al. characterized as Phase 1 (2013). In this phase the power to change the ways of the production structure is placed with the producers and the consumers. FTOs sought to incorporate an aspect of production process into a product's value to expand on the traditional view of a commodity's value. This is what Goodman characterized as 'ethical consumerism' (2012). This phase is reflected in the Fair Trade framing evident at the time. Up until 2001 the decommodifying frame was the dominant one. Here the framing focused upon informing the consumer that the *Production of commodities is both destructive and opaque, enabling poverty and environmental degradation* (Hudson et al., 2009, p. 117). This approach to fair trade can also be seen in the structure of the Fair Trade value chain. Prior to the inclusion of TNCs, the fair trade value chain was characterized by what Reed calls a 'social economy value chain' (2009, p. 9). In this value chain the main goals were to empower small producers and increase their profits. the mode of governance were based upon relational ties, reflecting the focus upon strengthening of the producer consumer relationship. This form of value chain were best suited to fulfil the original

goal of the Fair Trade movement of increasing direct relations with small producers and shorten the value chain so that more value is captured by small producers. It is a value chain based on solidarity and it was feared that an inclusion of TNCs would dilute these values.

By 2001 there was a realization that in order to develop Fair Trade further is was necessary to increase the availability of Fair Trade products to the consumers (Hudson et al., 2009). For the FTOs, the wish to increase accessibility to their products led to the beginning of Phase 2, where FTOs lobbied retailers and purchasers to start selling and buying an increasing amount of Fair Trade products. This meant a shift from the 'social economy value chain' to a 'social economy dominated value chain' (Reed, 2009). This did not change the mode of governance, so from the perspective of the producer not much changed besides an increase in demand which meant that they were able to sell more of their produce as Fair Trade.

Even though this did expand the Fair Trade market there was still an excess of Fair Trade goods. In 2006 only 20% of all the produce certified Fair Trade by the FLO was sold under the Fair Trade label (FLO, 2007). As have been established prior in this project, FTOs did not agree as to how this expansion should take place. The ones which will be focused upon below are the FTOs which decided upon the instrumental approach. In order to further expand the market to create a demand for Fair Trade goods, instrumental FTOs started to lobby for TNCs to enter into Fair Trade. This is what can be characterized as Phase 2 (Hudson, et al., 2009). After the inclusion of TNCs into Fair Trade a shift from a 'social economy dominated value chain' to a 'corporate dominated value chain' occurred (Reed, 2009). TNCs […] *are in business to maximize profits, or make the highest amount of profit possible* (Begg, Ward, 2013, p. 11). This fundamental goal very easily collides with the goals of Fair Trade. When TNCs gain more control over the value chain, it also means that an aspect of profit maximization is incorporated. The move from social economy to corporate dominance has meant a move from a focus upon maximizing producer value and empowering small producers to maximizing shareholder profits. This has had a profound impact on the small producers because TNCs search for profit have led to an increased focus on quality. Because of TNCs increased control over the value chain they can now push small producers to focus more upon increased product quality over social development programs

(Reed, 2009). This can be done by shifting suppliers according to the highest quality thereby pressuring small producers to compete to deliver the best quality with the risk of downgrading the social development programs which was one of the core values of fair trade.

Relational Degradation

Fair trade springs from a tradition of developmental aid. Traditionally developmental aid was perceived as something the developed world was supposed to extend to the underdeveloped world in order to bring them to the same developmental state as the development donors (Schech, Haggis, 2000). With the entry of TNCs into the Fair Trade system there has been a change from fair trade being a strategy for empowerment to being closer to an instrument for corporate profit maximizing. The shift from values such as partnership and trust to market expansion reflects the mainstreaming of the Fair Trade movement. Mainstreaming of fair trade […] *render north south partnerships ever more virtual and depoliticized* (Dolan, 2010, p. 33). The initial focus of fair trade on the change in the relationship between producer and consumer towards a partnership of understanding is now with the mainstreaming of Fair Trade changing into something resembling a donor recipient relationship (Dolan, 2010). With this change in the relational focus the goal of changing the structural inequality of the market system by changing the relationship between small producers and the rest of the value chain is changed. The new donor recipient relationship, instead of altering the division between the Global north and Global South, strengthens the discourse of a dominant Global North withholding the Global South in a relationship of dependence.

The donor recipient discourse that has been inherent in the development paradigm is still evident in the Fair Trade system today (The Economist, 2002). The social premium, the amount paid on top of the minimum price that is to go to local development projects is a legacy of this developmental past (Dolan, 2010). It is an act of charity that does not aim directly at changing the underlying structures. It is an amount of money donated by the developed north to the underdeveloped south. Even though there is an increasing focus upon the social premium, within the fair trade paradigm, the social premium is not the most important aspect for the producers. It is not that the social premium is bad for the producers; it is that it does not aim at changing the

system (Dolan, 2010). When Fair Trade was first created it was in part a reaction to the new approach to development; trade not aid. It sought to eliminate traditional aid paradigm that were accused of being insufficient and often creating a dependency relationship for the developing countries. Peter Bauer commented that aid is […] *'an excellent method for transferring money from poor people in rich countries to rich people in poor countries'* (Bauer cited in: The Economist, 2002). It can be argued that the focus on the social premium is a step back towards the development aid paradigm. It is an amount of money earmarked for social change. This being said, the system of the social premium is built so that producers have a say in how these money are to be used as long as it is within the boundaries set by Fair Trade. Thereby it is not just an instrument for enforced change but also an instrument for empowerment. Even though the social premium can be helpful for the producers, without a fair minimum price the producers would not be able to stay in business and the social premium would be useless.

As mentioned, the mainstreaming of fair trade means that the Global North south relationship is increasingly virtual. It also means an increase in technocracy. Mainstreaming has meant depoliticization of fair trade where technical solutions are made available to complex structural and many-faceted issues (Ferguson, 1990). This technocratic approach to fair trade can be seen in the process of certification. FTOs' gains their legitimacy based upon the audits and the general production labelling process. The label is a representation of the relationship between producer and organisation and is fully dependent upon the trust inherent in the label. If consumers lose faith in the label, then the mainstreamed Fair Trade system faces serious problems that could challenge its further existence.

An important aspect of the certifying process is the audits that oversees that the standards are being followed by the producers. This aspect poses a problem due to the fact that owners/managers receive a warning of when an audit is scheduled. This means that, in theory, they have the opportunity to make last minute changes so that it appears that the production process seems to fulfil the standards and after the audit is done and the inspectors have left the premise the production can go back to breaking the standards. Thus it can be argued that *what the audit 'sees' is but a fragment of reality* (Dolan, 2010, p. 40). This can be a problem for the

certifying organisations because if the consumers began to question the legitimacy of this process it would have serious consequences for the FTOs (Dolan, 2010).

Certification Impacts

In 1997 FLO included a minimum labour standard as part of their certification scheme (Dolan, 2010). When FLO included a minimum labour standard for workers they opened up for the possibility of larger commercial farms and plantations to become Fair Trade certified. Initially it was just a small part of Fair Trade but over the last couple of year, due to an increase in retailer demand, the number of certified plantations has increased dramatically (Jaffee, 2010). This has changed the sourcing practices for many corporations. Some FTOs have chosen to not go this way out of fear that it would marginalize small producers whom Fair Trade initially set out to aid (Dolan, 2010). In this way standards can both function as a mean of inclusion and exclusion. Standards are implemented as a means of structuring Fair Trade and ensuring that it helps the people it is supposed to. It functions as a social institution which goal is to apply universal technical and neutral solutions to the inherent inequality in the north/south relationship. When some aspects are emphasised as standards, others are marginalized (Dolan, 2010). Small producer cooperatives have complained that the inclusion of plantations into the Fair Trade system could risk pushing the smaller producers out of the market. The large corporate plantations can use mass production and economies of scale to secure the large buyers which do not want to go through the trouble of sourcing from small producers (Jaffee, 2010).

The focus on empowerment has been degraded with the introduction of retrocertification within certain sectors. Specifically within the tea production retrocertification represents a problem for the producers because it means that they cannot keep track of the amount of Fair Trade tea they are selling (Loconto, 2010). The system works so that Fair Trade certified producers sell their tea at the normal market prices, and not until after an auction will they know how big an amount has actually been sold as fair trade (Loconto, 2010). When producers don't get information on the amount of their tea production that is sold as fair trade until after it is sold, and often do not receive an exact number on the amount sold, but just an amount of money deposited in the social premium account, it creates a relationship of dependency (Dolan, 2010). This is exactly what

Fair Trade set out to prevent when it first started: To change the trade relationship between the Global North and Global South and empower the small producers so that they would no longer be dependent upon aid from the Global North.

One of the key certifying standards for the FLO is that farmers have to be organized into democratic producer cooperatives (FLO, 2011). This functions as a conditionality to market entry and prevents some farmers, often the poorest and least connected ones, from entering into the Fair Trade market (Dolan, 2010). Furthermore, the standards imposed to aid the producers are not necessarily fulfilling their purpose. Whether standards manage to aid producers depends on whether the universal technical construction of the standards is relevant at the specific local location and the extent to which it can be adopted to fit the specific needs of the individual communities. The certification initiative poses another problem for the smallest producers. To become a FLO certified Fair Trade producer farmers have to pay €2,500 and then a further €1,575 every year in inspection fees. This is quite a large amount of money for small producer cooperatives and can decrease the producer profit significantly and further function as a barrier to entry (Dolan, 2010).

Why Include TNCs?

The sections above have taken quite a critical view on TNCs role in Fair Trade. This next section will apply a more positive view of the topic. It is evident going through the literature on the topic, that Fair Trade does have a lot of beneficial impacts on producers, though primarily within one specific aspect. The mainstreaming of fair trade has expanded the market and the increase in purchases has also increased the number of producers included in the Fair Trade market and the amount of Fair Trade certified produce they can sell (Dolan, 2010). In 2005 Fair Trade made $100 million for producers. The increased benefits for producers can be seen in both reduction of livelihood vulnerability, increased income, economic stability, and new trade links (Dolan, 2010).

Having the TNCs use the FTO's certification label not only helps balancing the uneven (according to the FTOs) supply-chain but it also opens up to larger markets for many producers

of the Global South. E.g. the producers of cocoa beans in Ghana are mostly small family farms, but 90% of the farmers rely only on growing cocoa beans as their primary income (FGC, 2014). With large corporations, such as Cadbury (one of the largest multinational confectionery in the world), obtaining the FTO's label, the producers of cocoa beans in Ghana not only get paid more, but the TNCs (whom are responsible for collecting the beans) make it possible for the producers to reach an international market. A possibility they might not have had if they were responsible for marketing their own product. The TNCs' mainstreaming of the FTOs' Standards is a dream come true for any FTO, in the sense that they actually want their Standards and practices used at the large scale that TNCs can offer.

TNCs being able to create a cost advantage compared to social economy actors could eventually push them out of the market which would further increase the shift towards quality over social development. Producers seem willing to accept this because of the market expansion it means (Reed, 2009). With the market expanded the producers can sell a larger extent of their produce as Fair Trade whereas before they would have to sell the excess Fair Trade stock at the normal market.

Part conclusion
The inclusion of TNCs have meant a shift from a social economy value chain which meant that the mode of governance was based on strong relational ties to a corporate dominated value chain which have had a profound impact on producers. With the entry of TNCs, fair trade have experienced a shift from the focus upon producer profit and empowerment to maximizing shareholder value. This has led to an increased focus on quality which has made producers focus increasingly upon quality improving projects rather that social development.

The Entry of TNCs has meant a change from a focus upon partnership and trust to Fair Trade being an instrument for profit. Mainstreaming has meant that fair trade now more resembles a donor recipient relationship which strengthens rather than alter the discourse of a Global South dependent upon a dominant Global North. The social premium works as charity in the form of aid and goes against the focus on trade not aid which fair trade is partly based upon.

Mainstreaming of fair trade leaves the producer consumer relationship virtual. This can be seen in the increase in technocracy. Fair Trade labels are representatives of this relationship. The increase in technocracy can risk challenging Fair Trade if consumers lose trust in the certification process.

The introduction of minimum labour standards has meant an inclusion of large commercial farms in Fair Trade. this could risk pushing small producers from the Fair Trade market by appealing to TNCs. Retrocertification can strengthen producer dependence on buyers and go against the empowerment of producers. both the cost of certification and the demand for being organized into democratic producer cooperatives can function as barrier to market entry, preventing the poorest and least connected farmers from benefitting from fair trade. The market expansion have increased the scope of Fair Trade through the number of products sold and number of farmers included.

Conclusion

When the TNCs started using the FTOs labels, it was a way for them to proactively engage in development programs which was demanded by both their consumers and NGOs alike. The TNCs which took the pre-emptive response were able to take on a more social-conscious aspect while being able to set some of their own criteria for the certification process.

The choice of accepting some leniency in regards to including TNCs in the Fair Trade sector, also highlighted the differences in the different FTOs' attitudes. It became possible, and perhaps necessary, to distinguish between idealist and instrumentalist FTOs. This distinction between FTOs became prudent when exploring the FTOs' certification of the TNCs. The instrumentalist FTOs included the TNCs with the belief that they would be able to reach a broader number of consumers and thereby expand the market for the producers of the Global South. With the TNCs providing Fair Trade products in sheer volume and variety it became easier for the consumer to choose Fair Trade, but it was also because of the TNCs ability to make the Fair Trade label more visible. The producers benefited economically because they were put in connection with a larger market and the increase in demand meant that a larger portion of their Fair Trade certified produce could be sold off as fair trade.

The idealist FTOs claimed that this approach weakened the Fair Trade label, and by extension the Fair Trade sector. They insisted that by implementing TNCs in the Fair Trade sector there would be a shift in the image of fair trade. It would become more corporate dominated, in the sense that instead of focusing on producer benefits it would become about shareholder profits. Instrumentalist FTOs retained that, yes, changes were made, but the benefits outweighed the drawbacks.

For producers the mainstreaming of fair trade resulted, as mentioned, in an expansion of the market for their products. What the producers might not detect of the TNCs' involvement, was that aspects of the idealist FTOs' concerns appeared to come to fruition. The socio-economic value chain was replaced by a corporate dominated value chain, and the pursuit of social

development is in fear of, and has to some extent, been replaced by the TNCs' search for quality improvement. The mainstreaming of fair trade has meant that its relational ties focused upon partnership has changed towards a relationship based on donor and recipient. This has strengthened the discourse of a Global North dominating the dependant Global South.

The relationship between TNCs and FTOs has definitely expanded the market for producers in the Fair Trade sector and increased the availability and visibility of the Fair Trade label. It has also given TNCs a possibility to send a signal of social responsibility by contributing to their Global South producers. However, the relationship has also compelled a division between FTOs, where the critics of the TNCs' involvement has highlighted both potential and actual negative aspects of that relationship.

Giving a final answer to the impact of the relationship between TNCs and FTOs is practically impossible due to the many-faceted nature of the Fair trade system. In conclusion, the relationship has expanded the Fair Trade sector and in extension the possibilities for both positive and negative consequences have expanded with it.

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