

1,272 | 14

Views

CrossRef citations to date

3

Altmetric

Commentary

# Fair Trade, Diversification and Structural Change: Towards a Broader Theoretical Framework of Analysis

Commentary


Alastair M. Smith

Pages 457-478 | Published online: 02 Nov 2009

Cite this article

<https://doi.org/10.1080/13600810903305208>

Sample our  
Global Development  
Journals



>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

Full Article

Reprints

Abstract

This paper

short-term

diversification

such as

income

cannot be

the benefit

development

free market

constrained

beneficial change.

## We Care About Your Privacy

We and our 883 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Show Purposes link on the bottom of the webpage. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device

I Accept

Reject All

Show Purpose

it increase

aging

value sectors,

global

contributions

ce against

of the

oretical

y

acles to

beneficial change. In light of this, analysis of the Fairtrade Labelling Organizations

International is used to argue that, far from being detrimental, Fair Trade might actively contribute to diversification by alleviating some of the real-world obstacles that otherwise retard development.

## Notes

The author would like to thank Mark Hayes, Adrian Morley, Roberta Sonnino and two anonymous referees for taking the time to offer very helpful comments on earlier drafts of this paper. However, the author naturally takes full responsibility for the final content, and therefore any contentions or inaccuracies that the reader may find within. A further acknowledgement is to the ESRC, which provided the author with studentship support during the development of this work.

<sup>1</sup> The term “conventional” highlights the argument that while the debate about Fair Trade is often couched in terms of “free trade versus Fair Trade”, this does not represent the policy option available. As Barratt Brown ([1993](#)) made clear, the very purpose of Fair Trade was to compensate for the effects of monopolistic and oligopolistic structures that dominate the commodity sectors. In other terminology, Fair

Trade es... number of buyers of... firm coordinat... ns of interacti...

<sup>2</sup> More s... r organiza... es that cover the... e stable and supp... uts are provided... roducer groups a... ized from summar... ), as well as the wide...

<sup>3</sup> Where... ers to the specific... Where Fair

Trade has been applied as internal governance norms by some socially orientated



organizations, FLO Fairtrade has provided a system of third-party governance that offers a specific concretization of these wider principles. It is this latter interpretation that has become the dominant version of Fair Trade in the market (by volume), and for this reason FLO Fairtrade is the focus of this study.

<sup>4</sup> Although the literature debates the short-term merits of such policy instruments in a variety of contexts, particularly Latin American Import Substitution Industrialization and East Asian export orientation, a general consensus notes that where there are benefits, these are contingent on the development of endogenous productivity (Baer, 1972, 1984; Bhagwati, 1988; Bruton, 1998; Noland and Pack, 2003; Prebisch, 1963).

<sup>5</sup> Especially given its contribution to avoiding balance of payment constraints on economic development (Thirlwall & Hussain, [1982](#)).

<sup>6</sup> Numerous authors make the point that the market allocates resources on the basis of private profit and that there is no reason why private financial returns will equate with developmental or social returns (Chang & Grabel, [2004a](#), p. 155; Rodrik, [2004](#)).

<sup>7</sup> Given the self-reflexive component of sustainable development, there is a reason to deconstruct the concentration on supply-side structural change and suggest that diversification of northern demand should also play a part in building endogenous growth in poorer regions. However, for simplicity, this is not an issue that will be addressed.

<sup>8</sup> Indeed, in the modern world, the demand for education is now recognized as a key driver of economic growth (Borensztein et al., [2001](#)). In the modern world, it is education that has become the primary driver of economic growth (Bhargava et al., 2002).

<sup>9</sup> For an analysis of the demand-side pull/push factors, see (Bhargava et al., 2002).

<sup>10</sup> Specifically, the demand-side pull/push factors (Bhargava et al., 2002, p. 235).

<sup>11</sup> For example, see (Bhargava et al., 2002), and (Bhargava & Haley, 2002).



<sup>12</sup> This theory refers to the process of adapting any existing production processes to any new local conditions. For an introduction with empirical examples, see Hausmann & Rodrik (2003).

<sup>13</sup> There is evidence to suggest that cooperatives can provide access to technology for individuals from which they would otherwise be isolated (Milford, [2004](#), p. 64). It is also worth noting that these investments have occurred in spite of the theoretical argument that cooperatives have short-term time horizons (Porter & Scully, [1987](#)).

<sup>14</sup> For an illustrative example, see Appendix 1 from the FLO product standards for bananas produced by small farmers' organizations.

<sup>15</sup> A third response would be to question the assumption that consumers of Fair Trade care only about the physical component of the products. Instead, some consumers clearly show a preference for socially embedded qualities, which should be considered equally in evaluating the utility derived from consumption (Golding & Peattie, [2005](#); Mann, [2008](#)). In this way, analysis could also consider diversification of consumption patterns in evaluating the potential of any given export.

<sup>16</sup> Indeed, there is evidence from the craft (and thus non-FLO-certified) sector that because producer groups depend on specific northern organizations for access to international markets, they have not engaged in diversification strategies (Traidcraft Market A

<sup>17</sup> On the one hand so as to balance the risk of being excluded from returns from goods sold on the other hand so as to so reduce the risk of remaining Fairtrade certified and have to be

<sup>18</sup> See (FLO, [20](#) requirements”

<sup>19</sup> Local development

<sup>20</sup> Indige



<sup>21</sup> It is argued that such a strategy is problematic as coffee is best roasted and packed closer to retailers (Scholer, [2004](#)). However, with modern technologies the problems of both perishability and matching products to consumer demands are far from insurmountable.

<sup>22</sup> Unión de Comunidades Indígenas de la Región del Istmo.

<sup>23</sup> Where some areas have developed specializations in certain crops due to political factors, this has often overlapped with, or been the result of, ecological limitations on what can be successfully grown (Fridell, [2007](#), p. 176). This is clearly important in judging the viability of diversification options.

<sup>24</sup> La Central de Cooperativas Cafetaleras del Norte.

<sup>25</sup> It should be noted that the attempt to move into clothing manufacture was ultimately unsuccessful. However, research shows that this failure was due to the inadequacy of support offered by northern partners, not to the principles of Fair Trade themselves (Smith, [2007a](#)).

<sup>26</sup> Certificadora Mexicana de Productos y Procesos Ecológicos.

<sup>27</sup> This would of course need to be balanced by softening such standards where local and international conditions reduce such options. Another nuance would be to encourage... appropriate.

<sup>28</sup> Specific... GmbH (who...  
audit pro... me of  
research



Certif

Sourc

EVALU

Sourc

Linkin

People also read

Recommended articles

Cited by  
14

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

 Sign up

Copyright

Acc

Registered  
5 Howick Pl



or & Francis Group  
orma business

