

# **A CHARTER OF FAIR TRADE PRINCIPLES**

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## INTRODUCTION

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Fair Trade (or “Fairtrade”<sup>1</sup>) is, fundamentally, a response to the failure of conventional trade to deliver sustainable livelihoods and development opportunities to people in the poorest countries of the world; this is evidenced by the two billion of our fellow citizens who, despite working extremely hard, survive on less than US\$2 per day. Poverty and hardship limit people’s choices while market forces tend to further marginalise and exclude them. This makes them vulnerable to exploitation, whether as farmers and artisans in family-based production units (*hereafter “producers”*) or as hired workers (*hereafter “workers”*) within larger businesses.

While this *raison d’être* underlies all Fair Trade initiatives, it is expressed in a diverse range of practical activities and programmes in order to better respond to the particular needs and circumstances of the people targeted by each initiative. Clearly one mode of operation cannot address all the problems experienced in different product sectors (from coffee to crafts), geographic locations (from Mali to Mexico) or stages of production (from farmer to factory worker).

Fair Trade therefore aims to be consistent at the level of principles and values but flexible at the level of implementation and this presents challenges in defining the concept in practical and concrete processes that can be applied universally. However, understanding of the underlying principles of Fair Trade is crucial, as adoption of processes in isolation from those principles, risks losing an important element of the overall philosophy that has been developed through experience and dialogue by Fair Trade Organizations<sup>2</sup> over many years. This is analogous to trends in the field of wider corporate social responsibility, where there is increasing acceptance that effective compliance requires genuine commitment. In Fair Trade, it is unquestionable that effectiveness is enhanced not just through what an organisation does, but also why and how they do it.

This statement aims to provide a single international reference point for Fair Trade through a concise explanation of Fair Trade principles and the two main routes by which they are implemented. It is also intended to set the foundations for future dialogue and co-operation among Fair Trade Organizations – and between those organisations and other actors – in order that Fair Trade fully develops its potential to secure greater equity in international trade.

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<sup>1</sup> *Fairtrade (sic) is used to denote the product certification scheme operated by Fairtrade Labelling Organizations International.*

<sup>2</sup> *Fair Trade Organizations are organizations of which Fair Trade is part of their mission and constitutes the core of their objectives and activities. They are actively engaged in supporting producers, raising awareness for Fair Trade and in campaigning for changes in the rules and practices of ordinary international trade. WFTO is the global network of Fair Trade Organizations.*

## **COMMON VISION**

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The Fair Trade movement shares a vision of a world in which justice and sustainable development are at the heart of trade structures and practices so that everyone, through their work, can maintain a decent and dignified livelihood and develop their full human potential.

The Fair Trade movement believes that trade can be a fundamental driver of poverty reduction and greater sustainable development, but only if it is managed for that purpose, with greater equity and transparency than is currently the norm. We believe that the marginalised and disadvantaged can develop the capacity to take more control over their work and their lives if they are better organised, resourced and supported, and can secure access to mainstream markets under fair trading conditions.

We also believe that people and institutions in the developed world are supportive of trading in this way when they are informed of the needs of producers and the opportunities that Fair Trade offers to change and improve their situation. Fair Trade is driven by informed consumer choices, which provides crucial support for wider campaigning to reform international trade rules and create a fairer economic system.

Fair Trade connects the aims of those in the developed world who seek greater sustainability and justice with the needs of those in the South who most need those changes. It enables citizens to make a difference to producers through their actions and choices as consumers. Demand for Fair Trade products enables Fair Trade Organizations and others who adopt Fair Trade practices to extend the reach and impacts of their work, as well as visibly demonstrating and articulating public support for changes in international trade rules to governments and policy makers.

## **FAIR TRADE DEFINITION**

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The currently accepted definition of Fair Trade is as follows: “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 to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.”

Fair Trade products are produced and traded in accordance with these principles – wherever possible verified by credible, independent assurance systems.

## CORE PRINCIPLES

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The principles of Fair Trade are based on the practical and shared experience of Fair Trade Organizations over many years and reflect the diversity of Fair Trade relationships. The most important of these are unique to Fair Trade and are integral to its developmental objectives. These include:

- **MARKET ACCESS FOR MARGINALISED PRODUCERS**

Many producers are excluded from mainstream and added-value markets, or only access them via lengthy and inefficient trading chains. Fair Trade helps producers realise the social benefits to their communities of traditional forms of production. By promoting these values (that are not generally recognised in conventional markets) it enables buyers to trade with producers who would otherwise be excluded from these markets. It also helps shorten trade chains so that producers receive more from the final selling price of their goods than is the norm in conventional trade via multiple intermediaries.

- **SUSTAINABLE AND EQUITABLE TRADING RELATIONSHIPS**

The economic basis of transactions within Fair Trade relationships takes account of all costs of production, both direct and indirect, including the safeguarding of natural resources and meeting future investment needs. Trading terms offered by Fair Trade buyers enable producers and workers to maintain a sustainable livelihood; that is one that not only meets day-to-day needs for economic, social and environmental well-being but that also enables improved conditions in the future. Prices and payment terms (including prepayment where required) are determined by assessment of these factors rather than just reference to current market conditions. There is a commitment to a long-term trading partnership that enables both sides to co-operate through information sharing and planning, and the importance of these factors in ensuring decent working conditions is recognised.

- **CAPACITY BUILDING & EMPOWERMENT**

Fair Trade relationships assist producer organisations to understand more about market conditions and trends and to develop knowledge, skills and resources to exert more control and influence over their lives.

- **CONSUMER AWARENESS RAISING & ADVOCACY**

Fair Trade relationships provide the basis for connecting producers with consumers and for informing consumers of the need for social justice and the opportunities for change. Consumer support enables Fair Trade Organizations to be advocates and campaigners for wider reform of international trading rules, to achieve the ultimate goal of a just and equitable global trading system.

- **FAIR TRADE AS A "SOCIAL CONTRACT"**

Application of these core principles depends on a commitment to a long-term trading partnership with producers based on dialogue, transparency and respect. Fair Trade transactions exist within an implicit "social contract" in which buyers (including final consumers) agree to do more than is expected by the conventional market, such as paying fair prices, providing pre-finance and offering support for capacity building. In return for this, producers use the benefits of Fair Trade to improve their social and economic conditions, especially among the most disadvantaged members of their organisation. In this way, Fair Trade is not charity but a partnership for change and development through trade.

## AN ADDITIONAL FAIR TRADE DIMENSION TO LABOUR RIGHTS

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Fair Trade also adheres to standards (such as ILO conventions) that have been widely – but by no means universally – adopted in national legal systems as well as through voluntary codes of conduct by companies. However, breaches of these principles are commonplace in the developing world, and even in the most developed countries, ensuring compliance remains a major challenge. The Fair Trade approach to this problem is based on its developmental objectives and recognises that exploitation is a symptom of poverty and inequality rather than the cause. Fair Trade therefore seeks to address the underlying causes of poverty through new forms of trading relationships rather than merely tackling the symptoms by checking compliance with standards within individual operators and supply chains. Furthermore, while compliance with legal requirements and respect for basic human rights are of course important and non-negotiable, they are insufficient in themselves to achieve the transformation towards long-term development that is needed. These changes require deeper engagement by actors in the trading chain, and recognition of the wider social and political context of their economic relationships and transactions.

Therefore even in those principles of Fair Trade that are nominally shared with those outside the movement, there is an additional Fair Trade Dimension, as indicated below.

BASIC PRINCIPLES	ADDITIONAL FAIR TRADE DIMENSION
<hr/> <b>DECENT WORKING CONDITIONS AS DEFINED IN ILO CONVENTIONS</b> <hr/>	
Employment is freely chosen and the rights of freedom of association and collective bargaining are respected. <i>(ILO Conventions Nos. 29, 97 &amp; 98,105)</i>	Organisation of producers and workers is integral to the developmental objectives of Fair Trade and is positively and actively encouraged. Fair Trade Organizations support capacity building in producer organisations.
Decent working conditions are provided including the right to a safe and hygienic environment, working hours are not excessive and no harsh or inhumane treatments are allowed.	Transparent and fair trading terms enable and support compliance with decent working conditions. These are based on written contracts which assure compliance with these principles, specify the mutually agreed price and payment conditions, including prepayment where requested by producers, and take into account sufficient lead time to allow for production without excessive working hours, at the same time as seasonal factors affecting the producer. Workers are supported in actively improving health and safety conditions.
There is no discrimination in any aspect of employment, including hiring, remuneration, promotion or termination, based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation. <i>(ILO Conventions Nos. 100 &amp; 111)</i>	Improving the relative position of women and of other disadvantaged groups is a critical element in development. Opportunities for groups that are underrepresented in skilled occupations or in leadership positions to develop their capacity for such work are actively pursued. Women receive equal pay to men for equivalent work, and fully participate in decisions concerning the use of benefits accruing from production and from Fair Trade relationships.

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The rights of children are respected  
(ILO Conventions Nos. 138 & 182)

The importance of children's involvement in the work of family-based production units, and the learning of skills required for their working life is recognised, but any involvement must be disclosed and monitored and must not adversely affect the child's well-being, security, educational opportunities and need for play.

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#### ENVIRONMENTAL SUSTAINABILITY

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Continuous improvement of the environmental impact of production and trade

All parties to Fair Trade relationships collaborate on continual improvement on the environmental impact of production and trade through efficient use of raw materials from sustainable sources, reducing use of energy from non-renewable sources, and improving waste management. Adoption of organic production processes in agriculture (over time and subject to local conditions) is encouraged.

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#### MONITORING AND EVALUATION

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Compliance and impact are verified through monitoring and evaluation.

Fair Trade is a system for development among producers, not a risk-management or marketing tool for buyers, although demonstrating compliance and impact are important elements in building and retaining the trust of buyers and end consumers. Monitoring and evaluation processes should reflect these aims and should be developed and operated in a participative manner, with measures in place to encourage the involvement of small-scale and marginalised producers, and to compensate them for their costs. Monitoring and evaluation processes should be useful for all participants in measuring progress and identifying areas for improvement.

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## **IMPLEMENTATION – DISTINCT APPROACHES TO FAIR TRADE**

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Fair Trade products are goods and services that are produced, traded and sold in accordance with these Fair Trade principles and, wherever possible, verified by credible, independent assurance systems such as those operated by FLO (“Fairtrade-Certified”) and WFTO (Sustainable Fair Trade Management System).

All Fair Trade products originate from producers and workers committed to Fair Trade principles. However, in the subsequent supply chain, Fair Trade products are traded and marketed through two distinct but complementary channels:

- **THE INTEGRATED SUPPLY CHAIN ROUTE** whereby products are imported and/or distributed by organisations that have Fair Trade at the core of their mission and activities, using it as a development tool to support disadvantaged producers and to reduce poverty, and combine their marketing with awareness-raising and campaigning.
- **THE PRODUCT CERTIFICATION ROUTE** whereby products complying with international standards are certified indicating that they have been produced, traded, processed and packaged in accordance with the specific requirements of those international standards.

## **FAIR TRADE IS UNIQUE**

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Fair Trade has led the way in encouraging and enabling consumers to take regard of the social, economic and environmental consequences of their purchasing. While other ethical purchasing initiatives are being developed to respond to the growing interest, the unique approach of Fair Trade continues to be most successful in terms of producer and consumer support. The Fair Trade movement is conscious of the trust placed in it by the public and is committed to developing and promoting the highest possible standards of integrity, transparency and accountability in order to maintain and protect that trust.



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