

## **THE RELATIONSHIP BETWEEN SUSTAINABLE DEVELOPMENT AND FAIR TRADE**

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### **ABSTRACT**

Fair trade is an alternative trading model that combines trade with empowerment and sustainable development. 2013 was the year of impressive growth for fair trade. Shoppers spent \$5 billion on Fair trade products, a 15 percent increase on 2012 figures. As Olivier (2014) argued that fair trade products are sold in 120 countries and serve over 1.3 million farmers and workers in 70 countries. The main objective of this paper is to study how fair trade supports sustainable development. A theoretical discussion that considers the concepts of sustainable development and fair trade is presented. This paper found that fair trade plays an important role in supporting sustainable development. Moreover, fair trade products can be used as a vehicle to support sustainable production and it acknowledges that this cannot be done without sustainable consumption.

**Keywords:** Sustainable Development, Fair Trade

**JEL Classification:** F18, O55

### **1. INTRODUCTION**

A reasonable exchange is a moral confirmation framework which plans to advance equity and supportability in the cultivating sector. An item that conveys the Fair exchange name has met thorough Fair exchange Standards, which concentrate on (1) enhancing work and living conditions for cultivating groups, and (2) advancing cultivating hones that don't hurt either individuals or nature. Reasonable exchange is not a philanthropy. It is an option exchanging model that consolidates exchange with strengthening and supportable advancement (Olivier, 2010).

Reasonable exchange has intensely grown in recent years in many advanced nations and has moved into the mainstream markets through superstores. (Hayes & Moore, 2005). Year 2013 was year of impressive growth for fair trade. Shoppers spent \$5 billion on Fair trade products, a

15 percent increase on 2012 figures. As BTC's report (2014) argued that fair trade products are sold in 120 countries and serve over 1.3 million farmers and workers in 70 countries.

This paper aims to discuss the role of the fair trade in achieving the sustainable development. For this purpose, a theoretical discussion that considers the concepts of sustainable development and fair trade is presented. Moreover the paper shows some empirical data about the role of the fair trade in some countries and for some products. The main objective of this paper is to study how fair trade supports sustainable development.

The organization of this paper will be as follows: section 2 presents background about the fair trade. Section 3 shows the aspects of sustainable development. Section 4 shows the relationship between the fair trade and sustainable development. Decisions and guiding principle commendations will be offered in section 5.

## **2. THE ECONOMICS OF FAIR-TRADE**

According to the fair trade organization ( 2015) the number of farmers and workers that benefit from Fair trade are now 1.5 million people in 74 countries worldwide. The number of producers' organizations has grown from 827 in 2009 to 1210 by the end of 2013. The distribution of the producers in 2013 were as follows: 404 manufacturers from Africa & the Middle East (33.4%), 624 producers from Latin America & the Caribbean (51.6%) and 182 producers from Asia & Oceania (15%).

According to fair trade organization(2015), 80% of all fair-trade producers are small producer organizations, 64% of all fair trade farmers are in Africa and the Middle East and 113 farms are Fair Trade certified in South Africa.

The following table shows the top ten countries for fair trade farmers and workers.

**Table 1. Top Ten Countries for Fair trade Farmers and Workers**

Country	Number of farmers and workers
Kenya	295,400
Tanzania	164,100
India	139,400
Ethiopia	138,000

Ghana	104,400
Peru	61,300
Colombia	49,100
Uganda	47,300
Mexico	40,300
Cote d'Ivoire	34,300

Source: fair trade, 2015 <http://www.fairtrade.org.uk>

The Fair exchange premium is an extra total over the price tag paid straightforwardly to manufacturer associations. Agriculturists and specialists fairly choose how to contribute the premium as indicated by their needs. As per reasonable exchange (2015), 96% Fair Trade is created by seven items: bananas, cocoa, espresso, cotton, blossoms, sugar and tea. On farms, labourers disbursed 24% of their premium on training. Trivial manufacturer associations contributed 49% of their premium salary on enhancing their associations. Labourers on fair trade licensed banana plantations put in 28% of their premium on accommodation improvements. Cocoa planters put in 46% of their premium in improving production and quality.

Table 2 shows the volumes sales of some fair Trade products in 2012 and 2013.

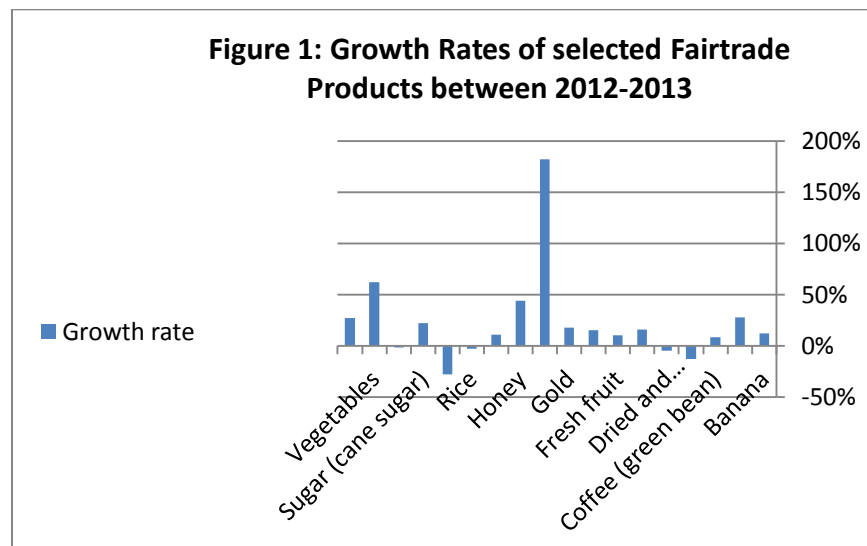
**Table 2. Volume of sales for Fair Trade products in 2012 and 2013**

Product	Unit	2012	2013	Growth rate
Banana	MT	331,980	372,708	12%
Cocoa (cocoa beans)	MT	42,714	54,485	27.6%
Coffee (green bean)	MT	77,429	83,709	8%
Cotton (lint)	MT	9,005	7,817	-13%
Dried and processed fruits	MT	1,507	1,430	-5%
Flowers	1,000	536,669	623,907	16%

	stems			
Fresh fruit	MT	12,094	13,329	10%
Fruit Juice	1,000 liters	37,165	42,577	15%
Gold	Gramm	6,434	7,562	17.5%
Herbs, herbal teas and spices	MT	637	1,795	182%
Honey	MT	1,319	1,898	44%
Quinoa	MT	590	658	11%
Rice	MT	5,623	5,482	-3%
Sports balls	1,000 items	152	108	-28%
Sugar (cane sugar)	MT	158,986	193,829	22%
Tea	MT	11,649	11,375	-2%
Vegetables	MT	435	706	62%
Wine	1,000 liters	16,432	20,934	27%

Source: fair trade, 2015 <http://www.fairtrade.org.uk>

It can be shown from Figure 1 that herbs and herbal teas and spices had the highest growth rate (182%). However, the sports balls had the lowest growth rate (-28%).



Source: fair trade, 2015 <http://www.fairtrade.org.uk>

A fair marketing movement which appeared for the first time in Europe in the 40's and 50's of last century through religious groups and nongovernmental organizations with independent political attitudes (Abu-Ghazaleh, 2009). The movement started to market the products coming from developing countries. With time, it developed to be a movement against imperialism and unfair economic policies. Fair trade provides economically marginalized producers with an opportunity in front of capitalist companies in terms of securing a better marketing competitiveness.

The Fair Trade plan includes the accompanying three classes of performing artists: (Boto, 2014)

A) Fair Trade manufacturers regularly signify co-operatives or associations in developing nations. To partake in the Fair Trade scheme, they have to join the Fair Trade membership groups, e.g., fair trade Labeling Organizations (FLO), Fair Trade Federation (FTF) and the International Fair Trade Association (IFAT). Involvement commits manufacturers to stand by Fair Trade ethics, pay annual dues and supply goods at programmed prices.

B) Merchants are shippers, exporters or processors who bargain in Fair Trade items, supplanting alleged agents. They are connected with Fair Trade enrollment associations and subject to the gauges, foreordained costs and checking necessities of the associations which they join. Prime brokers incorporate Solidar'Monde (France), Oxfam (UK), Oxfam Wereldwinkels (Belgium) and Claro (Switzerland), to specify a couple.

C) Retailers interface with the end shoppers of Fair Trade items. World Shops speak to the most well-known outlets for Fair Trade items. As of late, be that as it may, Fair Trade items have started to advance into general retailers, for example, market chains<sup>16</sup>.

### **3. SUSTAINABLE DEVELOPMENT**

Sustainable development is a term generally utilized by government officials everywhere throughout the world (Olivier, 2010), despite the fact that the thought is still rather new and does not have a uniform understanding. Imperative as it may be, the idea of feasible advancement is as yet being created and the meaning of the term is continually being amended, developed.

As per the established definition given by the United Nations World Commission on Environment and Development(Olivier, 2010). in 1987, improvement is manageable on the off chance that it "addresses the issues of the present without bargaining the capacity of future eras to address their own particular issues."

It is typically comprehended that this "intergenerational" value would be difficult to accomplish without present-day social value, if the monetary exercises of some gatherings of individuals keep on jeopardizing the prosperity of individuals having a place with different gatherings or living in different parts of the world (Tatyana, 2004).

Sustainable development could most likely be generally called impartial and adjusted, implying that, with the end goal development should proceed inconclusively, it ought to adjust the interests of various gatherings of individuals, inside the same generation and among generatins, and do as such at the same time in three noteworthy interrelated areas—economic, social, and enviromental(Olivier, 2010).

Sustainable development is about value, characterized as fairness of chances for prosperity, and also about thoroughness of destinations (Tatyana, 2004).

Clearly, adjusting such a large number of assorted goals of development is a huge test for any nation. Case in point, how might you analyze the positive estimation of more noteworthy national security with the negative estimation of slower economic growth (loss of employments and wage) and a few, conceivably irreversible, natural harm? There is no entirely experimental technique for performing such valuations and examinations. Be that as it may, governments need to settle on these sorts of choices all the time. On the off chance that such choices are to mirror the interests of the dominant part, they should be taken in the most just and participatory way that could be available. In any case, even for this situation, there is a high hazard that long run interests of our youngsters and grandchildren wind up unaccounted for, in light of the fact that future eras can't vote in favor of themselves. Consequently, to promise that next generations

obtain the important conditions to put up their own particular benefit, our present day values must be taught enough to mirror their interests too (Tatyana, 2004).

#### **4. HOW DOES FAIR TRADE SUPPORT SUSTAINABLE DEVELOPMENT ?**

Fair trade trusts that it assumes an essential part in the supportability motivation as a promoter of sustainable practices in the creation of fair exchange items. It additionally trusts that by giving appropriate backing and sufficient data, all on-screen characters can assume a part in supporting sustainable practices whether this is done through the production of sustainable goods (distraught makers) or the consumption of sustainable goods (sharpened purchasers). Fair trade, subsequently, recognizes that it must assume an imperative part as a supporter of sustainable production (through secure and economical vocations) and sustainable consumption (through data and mindfulness) (Olivier, 2010).

Fair trade conveys a human face to worldwide exchange meaning to secure more pleasant terms of exchange so that makers and laborers in developing countries can put resources into a superior future for themselves and their groups. It is an all encompassing way to deal with maintainability with an attention on enhancing long term economic, natural, and social conditions.

Fair trade attempts to bolster producers to economically fortify their vocations, as follows(Olivier, 2010):

- A) Encouraging that producers show signs of improvement cost for their items. Most Fair exchange items have a Fair exchange Minimum Price – a price floor which intends to take care of producers' expenses of maintainable production;
- B) Providing on top of stable prices, a Fair exchange Premium – that producers can invest in good enterprises, for example, farm improvements to expand yield and quality;
- C) Improving the terms of exchange for producers, advancing long term connections, prepayments and business sector access.

Fair trade's environmental standards should be applied to make products without damaging the environment.

With a specific end goal to execute this, Fair exchange will keep working at various levels (Tatyana, 2004):

- A) Supporting producers to meet Fair exchange's social and environmental standards;

- B) Providing the apparatuses required for producers to expand their own particular improvement arranges;
- C) Providing producers the specialized instruments expected to confront ecological and environmental change challenges;
- D) Providing financial support to producers to face and adjust to ecological and environmental change challenges.

The Fair trade premium is also an important driver that enables producers to invest in long term social development projects that benefit the producers, their families and their communities.

A pivotal element of this premium is that its utilization is chosen by the makers themselves, and is not forced upon them. The Fair exchange premium is an instrument that permits makers to (Boto, 2014; Tatyana, 2004):

- A) Empower themselves as they can settle on choices that directly affect the manageability of their exercises;
- B) Decide where to apportion these assets as indicated by their requirements;
- C) Address supportability issues that are squeezing to them running from education to healthcare.

Sustainable production must be accomplished once producers have possessed the capacity to confront their monetary, ecological, and social difficulties.

Fair trade attempts to empower producers to fortify their jobs and add to a more economical world. Sustainable production is, all things considered, formed by sustainable consumption. Customers have, truth be told, made an impression on retailers demonstrating that they need to devour all the more reasonably.

Fair trade has assumed the liability to advise customers on the advantages created by acquiring fair exchange items – this is yet another way to show that by expending fair exchange items, shoppers financial support, natural and social maintainability. In such manner, fair exchange will keep on informing purchasers on their fair exchange consumption choices and to bring out mindfulness battles through its marking activities.

## **5. CONCLUSIONS**

The number of fair trade producers' organizations has grown from 827 in 2009 to 1210 by the end of 2013. The distribution of the producers in 2013 were as follows: 404 producers from



Africa & the Middle East (33.4%), 624 producers from Latin America & the Caribbean (51.6%) and 182 producers from Asia & Oceania (15%).

Fair trade works to support producers so that they enjoy secure and sustainable livelihoods. Fair trade plays an important role in supporting sustainable development. Fair trade products can be used as a vehicle to support sustainable production and it acknowledges that this cannot be done without sustainable consumption.

This highlights Fair trade's role to connect producers and consumers through a label that represents both fairer trade conditions and a more sustainable development scheme.

Fair trade helps government in accomplishing its 2030 goals of decreasing inequality and reducing poverty in the following ways:-

- A) Ensuring that laborers get higher wages that surpass the minimum wages.
- B) Provided a reference point to which employment terms and conditions have been set and word related wellbeing and security frameworks adjusted.
- C) Making a circuitous positive effect on laborers from neighboring non Fair trade certified hired labor farms, where management have been pressured into providing similar improvements including working conditions and wages for their workers, to match those of Fair trade certified farms.

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