

The Constraints of Social Sciences

The Relationship Between Fair Trade and Economic Development

Muhammad Osama

The Islamia University of Bahawalpur, Bahawalpur

Abstract

Recent years have witnessed an increasing trend of the utilization of fair trade as a strategy for promoting economic development for marginalized groups. Fair trade endeavors to foster social justice and social transformation by means providing better trading conditions, specialized infrastructure, and medical and environmental support, while enhancing consumer consciousness. The Fair Trade movement seeks to challenge the currently-dominant patterns of (un)fair trade practices by enabling marginalized producers to achieve better terms of trade through emphasizing ethical consumerism and promoting the ethos of reciprocity. In reality, while increasing the financial resources of producers is a main claim of fair trade organizations, the Fair Trade market is only able to secure better terms of trade and higher prices for a limited share of fair trade producers. Notwithstanding this insignificant in percentage, a growing number of households in the Global South relies extensively on fair trade market outlets and has succeeded ameliorate livelihoods of millions of marginalized producers. How far the Fair Trade market is able to influence price levels at the wider economy, encapsulate the focal point of the extensive examination. In fact, the price dynamics of the Fair Trade market has generated controversial arguments and perceptions among academics, policy makers and public thoughts. The intricate relationships between the price dynamics of fair trade markets, their creation of the wider economy are a subject that has attracted little academic exploration. This commentary provides an overview to address the above issues. The following section offers a brief review of the essential facts and implications of fair trade coffee and the attributes and goals of certification schemes. In the third section, the views on the relationship between the price dynamics

The Constraints of Social Sciences

of fair trade coffee markets and how it affects the economic conditions of fair trade and non-fair trade producers are examined. Conclusions are drawn in the final section.

Keywords fair trade, economic development, marginalized producers, ethical consumerism, social justice, price dynamics, market access, Global South.

1.1. Introduction to Fair Trade and Economic Development

The concept of Fair Trade ranges broadly from the idea of using international businesses to promote better relations between the more-developed and less-developed national economies of the world, and to seeking glimpses of hope and possibilities of achieving legitimate social and economic development (Negash, 2016). itself is a concept that is based on the belief that social justice and economic progress must go hand in hand. Fair Trade seeks to create equitable trading partnerships that generate greater social equity, and highlights the social aspects of the global trade. The starting point is that a better deal and better trading conditions can actually help the disadvantaged and poor producers in the world to continue in their development and progress.

It is widely contended that Fair Trade – together with improving the standard and minimum levels of living and working conditions to make trade fairer – should focus on the goals of alleviating poverty sustainably within a broader context of social and economic justice, creating practices that are environmentally sustainable and viable (including empowering the disempowered, addressing broader disadvantages and imbalances within the existing market rules) and economically viable for producers (accompanied by financial support and enabling trading conditions). The different levels of understanding, recognition and stakeholding in Fair Trade activity will be multi-directional between consumers in the civil society, concerned public and political institutions, trade representing organizations and other market actors in the one hand, producers, marginalized and small sectors in the other, and economic, environmental, socio-political and cultural conditions in the less-developed countries in special.

From this broad understanding and scope, Fair Trade also includes some more specific areas of concern. The object of this paper is to examine whether the main practices of

The Constraints of Social Sciences

Fair Trade represent an effective alternative trade model in the direction of the broader development goals and standards of less-developed countries. Although there is a good amount of literature on the intended and unintended consequences of the Fair Trade labelling and systems of North consumer countries, the broader development aspects and effectiveness of these practices remain mostly unclear and undocumented. The paper is organized as follows. Section 2 sets the model of the Fair Trade practices and the economic development agenda of the producer countries. Section 2 also sets the analytical framework, the objectives, and the key questions under investigation as well as a brief overview of the methodology. Section 3 presents the theoretical perspective of the model and documents on the relationship between Fair Trade and economic development. Section 4 provides stylized facts on the changing context of Fair Trade practices and economic challenges in the relevant geographical regions under consideration. Subsequent empirical analysis follows in sections 5-7. A summary of the main results and concluding remarks is provided at the end of each section and in Section 8.

1.2. Theoretical Frameworks and Concepts

Since the emergence of the Fair Trade movement, there has been considerable speculation regarding its potential for contributing to positive social change in developing countries. Although an increasing number of communities in the Global South participate in Fair Trade, there has been limited investigation into the effects of these programs. This article focuses on the ongoing membership in Fair Trade coffee cooperatives in one particularly impoverished region in the Nepalese Himalayas, and uses the case as a window onto contextualized issues in understanding how complex power relationships shape the varied impacts of export-led development strategies.

Several theoretical frameworks underline this research and address issues of Fair Trade's contribution to economic development, social justice, and sustainable practices. These frameworks draw particular attention to the bounded nature of Fair Trade arrangements with specific firms or cooperatives, that is, in contrast to alternatively

The Constraints of Social Sciences

more free forms of trade or aid that might represent a diluted or insufficient substitute of donor aspirations. Although a product of complex negotiation, sometimes tension between principles of a fair and open trade system and broad or local economic development, the bounded nature of Fair Trade is often taken for granted in discussion papers, reports, evaluations, and promotional material alike.

Fair Trade is typically, and optimistically, portrayed as an unproblematic instance of convergence between markets in the Global North and responsible producers in the South (Negash, 2016). Empirical research, however, brings forth more complex, and sometimes contradictory, consequences and interpretations of the impacts of benefits and disadvantages coming with Fair Trade membership subject to the specificities of the context, the nature of the commodities in question, the characteristics of trade partners, and the coherence of cooperatives aggregated as national and satellite groupings. On the one hand, widespread traveler, consumer, and activist literature assumes that, besides material benefits in the form of better wages or premium payments, a variety of other, sometimes intangible, assets (workshops, lunch facilities, community projects, microcredit schemes, capacity building) might accrue to producers of Fair Trade commodities. Supply chain literature, on the other hand, points to the particularisms of buyer–seller interactions into which producer cooperatives are embedded.

1.3. Empirical Evidence on the Impact of Fair Trade on Economic Development

Empirical findings suggest that Fair Trade certification is largely benefiting the livelihoods of producers. Participation in Fair Trade-certified networks has been linked to increased income opportunities by offering better-than-market prices and market access to disadvantaged producers in developing countries through long-term partnerships. Smallholders in developing countries account for a large area of under-priced, non-tradable, and sensitive goods production. As the income distribution of smallholders can be wider and varies with different socio-economic groups, only a few can benefit from value-added market efficiency. For the rest of smallholders, Fair Trade offers an alternative to the wider markets. Before getting Fair Trade certification, most

The Constraints of Social Sciences

smallholders face market exclusion or get a very low price, which hinders them from breaking the cycle of impoverishment generated by poor endowments, especially in asset poverty (Negash, 2016). In the Fair Trade market, producers are more included and participate in better market structures by getting a floor price fixed above the normal market price, pooling resources to collectively bargain with buyers for upper prices, forming cooperatives to penetrate the highly concentrated market, and accessing some credit to satisfy the economies of scale needed to fit the quality required by buyers, all of which improving the lives of the poor.

The establishment of producer internal control, internal management, and participation within bureaucratic governance mechanisms establish credibility that enhances entrepreneurs to attract investment to begin Fair Trade operations and exportation. Because of a maximization over the equilibrium price, buyers have to satisfy heterogeneity expectations, pushing them to observe the participation to screening programs among potential suppliers. Letting the competitive model take place in the heterogeneous goods market is conducive to a wider distribution of income among producers and processors, the majority of which benefit large income gains and the minority seeing income losses, even if they receive some gambling rent. The 'learning by communicating' model of smallholder organization may help adopting and transferring grower innovation, improving the effectiveness of differentiate goods production and collective bargaining, and reproducing the smallholder internal control, which could substantially benefit a greater number of producers while excluding the nonparticipants. A local equilibrium framework emphasizes the necessity to assess trade reforms' and openings' sector and house effects at the disaggregated level as outcomes are highly conditioned by the initial structure and performance of the sector and the local economy. The agricultural and commercial transformation of goods and trade emerges endogenously along with political and social transformation from the dynamics of local-level interactions influenced by traders and wholesalers' strategies and external shocks in a rent-seeking framework. These structural and stability market imperfections, and in

The Constraints of Social Sciences

the interactions of various actors such as growers, traders, and officials, potentially maintain and reproduce an inefficient and distorted equilibrium, both at the local and the global level, while hindering Free Trade effectiveness to alter outcomes, even in presence of currency and exchange shocks given. Two out of six studies identify the trade, exchange rate shocks and currency devaluations external shocks as drivers of various policy reforms and adjustments, which have resulted in substantially changed regulations and conditions, and have reversed existing incentives or created new ones that improve the economic performance and competitiveness of certain actors and geographic loci. The data assessing the impact analysis of the economic performance of the poor reveals the necessity of a more careful interpretation of outcomes as outcomes are unevenly distributed over various income subgroups and subject to changes at different stages of intervention. Economic impacts are difficult to measure and the predictive local units and aggregates strongly differ in terms of signs of t-statistics under various band width selection and optimization.

1.4. Challenges and Criticisms of Fair Trade in Promoting Economic Development

As global inequality continues to grow, the current trade system and set patterns of consumption and production are increasingly seen as unfair and in need of change. The fair trade movement attempts to address this by pushing for better labor practices and environmentally sustainable methods in the production of goods that are exchanged in international markets. Increasing the market access and improving the position of producers in weaker states are more intricate as they depart from the sphere of fairness principles commonly associated with fair trade. Instead, they are concerned with the transformation of political and economic structures of trade practices in such a way that allows positive outcomes for the poor. There are a number of good reasons why this invocation of fair trade principles should be viewed cautiously. The attraction of fair trade as a response to global inequalities is based, in part, on the effectiveness of fair trade in achieving efficacy of its wealth transfer intentions in the form of premiums that funding bodies have been attracted to. However, coffee growers' dependency on the

The Constraints of Social Sciences

community benefits that the Fairtrade premium creates is problematic, particularly in circumstances where participation in the matching producer community is still way under the 50% mark. After the entrance producer community the next most important group in terms of benefits generated by premiums is the surrounding community. Growers without immediate proximity to a cooperative are less likely to access markets where they are eligible to receive additional benefits of Fairtrade, which disadvantages smallholders (Hassoun, 2011).

There is a concern as to the overall scalability of fair trade initiatives. The conclusion of a report that evaluated DfiD's impact assessed that 'overall impact for poor participants was difficult to assess because the partner of growth in fair trade sales, in relation to the overall size of UK coffee and cocoa markets, had been fairly modest at 7% and 2% respectively' can be related to this (Cummings, 2015). Thus the competition of fair trade networks with producer supply to this market is a concern. At a more fundamental yet perhaps theoretical level, there is a tension between the goals of social justice and equality, and the conditions under which it can be brought about, and which are in requirement to frame fair trade in a particular way. Some of the strongest critiques of the fair trade movement come from those that are dubious of the ability for any market processes to generate promotion of equal distribution.

1.5. Policy Implications and Recommendations

INTRODUCTION

The findings presented in previous sections reveal how fair trade has been successful in promoting economic development and a sense of self-reliance among marginalized communities in low- and middle-income countries. However, the findings also critically illustrate how the sector is facing significant challenges to realize optimum development impacts including (1) bureaucratic issues around meeting certification standards; (2) fairness, payment, and pricing transparency issues; (3) difficulties in accessing export markets; and (4) the lack of economies of scale. Recommendations for fair trade policy and practice are offered below, bearing in mind the perspective of smallholder farmers

The Constraints of Social Sciences

and artisan producers who are the intended beneficiaries. These recommendations are also relevant to the other stakeholder groups in the fair trade value chain, who, through collaboration with small producers, can work towards navigating the obstacles faced by smallholder farmers and artisans to enhance fair trade's contribution to economic development in the longer term (Cummings, 2015).

POLICY IMPLICATIONS AND RECOMMENDATIONS

As a first step, it is recommended that a workshop and dialogue be facilitated with fair trade producers, key stakeholders, certification bodies, and government representatives from the ministries of trade, agriculture, and finance. Given the findings, the development community might use this research to explore the possibility of adopting a broader, less prescriptive approach to fair trade legislation, with some flexibility extended to smaller organizations and individual producers. This could involve a tiered approach, which would allow producers to focus on a few key improvements and reduce the administrative burden of document preparation. Policy considerations could also be expanded to include (1) opportunities for pilot projects in partnership with the government to develop technical support for producers to meet standards; (2) a review of the cost structure for fair trade certification and export promotion to ensure that producer benefits are not eroded by this expenditure; and (3) the development of a financial framework, including low-interest loans, grants, and tax incentives, to assist producer cooperatives in implementing the necessary improvements to benefit from fair trade export schemes.

2.1. Fair Trade

Fair Trade is a structured social justice movement and market-based approach that aims to facilitate trading partnerships based on dialogue, transparency, and respect. The overall goal is to achieve fairer trade conditions that give importance to social, economic, and environmental standards, prioritizing fairness, equity, and sustainability in the exchange of goods. Fair Trade seeks to inform, educate, and provide confidence to the

The Constraints of Social Sciences

consumer so that they are empowered to be socially responsible in a global sense, and actively work to reduce poverty and inequality, as well as to improve environmental and social conditions.

The wider movement can trace its beginning to North American and European churches in the 1970s and 1980s as a way to provide social justice, dialogue, and solidarity for marginalized producers. However, the Ethical Trade movement already identifies its origins as British blockades against the slave trade, rather than an offspring of churches and religious institutions. Fair Trade evolved from a small niche into a global movement. As much attention as producer support receives, the first component refers to the market, and how to make consumers aware of how and why they buy at a premium price, as well as whether the price is good and who is benefiting. The Fair Trade movement is, in essence, very similar to the movement to combat child labor, as both are appraising individual industries for their susceptibility to complaint, then taking action.

Firstly, Fair Trade Principles are outlined. Private voluntary standards certify products sold as Fair Trade at a premium price to consumers and return a higher price to producers, typically impoverished smallholders or plantations in developing countries. The literature and campaigns highlight such principles in the interest of informing consumers and workers. Common elements emphasized are environmental stewardship, fair wages, and the rights of workers, especially women and children. Fair Trade agrifood standards, and Fair Trade's literature is diverse and interdisciplinary. There are a variety of organizations that participate in different ways in the certification system. Some argue that certified products provide a higher payoff to producers, while critics see the benefits of such programs as disproportionate and biased towards a richer, more developed, more established set of countries, producers, and firms.

2.2. Economic Development

Economic development is a multifaceted concept with many definitions and even more indicators that typically suggest developmental maturity. Literature has defined

The Constraints of Social Sciences

economic development as leading to poverty eradication (Nkoro & kelvin Uko, 2019), a promotion of pro-poor sustainable growth that benefits all sectors of society but particularly the marginalized (COCCIA, 2018). Conversely, growth may be of the population as opposed to the quality of livelihoods. Economic development can thus be seen as “sustainable improvements in income, employment, productivity, welfare, and wealth for the essentials from a much deprived socio-economic base”. Fair trade practices are believed to influence economic development through a variety of mechanisms that improve the standard of living and quality of life for a community in a comprehensive and essential way. This is essential for sustainability, as only practices that respect the planet, social systems, and the economy can persist in the long-term. Models that emphasize empowerment and the expansion of human capabilities are pushing the standard growth concept into a new paradigm. With the rise of complex global capitalist economies, new forms of inequality become self-reinforcing and self-perpetuating. Trends in economic development demonstrate an increasingly uneven spread of wealth and power between core countries and regions with peripheral states and communities that are further marginalized and excluded from global industry and commercial enterprise. Globalization exacerbates these tendencies, often bringing about resource depletion and unsustainable POVs while creating markets for cheap labor and the dumping of toxic waste. Needed is a more comprehensive approach to development that takes all these issues on board.

2.3. Trade Justice

Trade justice is a concept widely discussed in relation to fair trade. Though early norms of free trade appeared in the 18th century, it was in the following century that activations for trade justice became more active. Trade justice originally referred to a political framework advocating for an equal treatment present in international trade agreements. From the colonial to the post-colonial era, products of developing countries were consistently exported to western countries. Since then, trade justice activism, understood as a movement rather than a theoretical position, has enjoyed a

The Constraints of Social Sciences

large community of supporters. (J. Garcia, 2018) Present in 2003, at the WTO ministerial conference in Cancún - one of the most significant meeting contexts of this orientation - trade justice activism demands were evident. Though connected to fair trade norms and understanding, trade justice also implies a larger set of norms that do not share the same approach to alternative trade paradigms. In post-Cancún terms, some of the key norms of trade justice can be summarized as follows: fairness, representation, transparency, and accountability. The trade system as it currently exists is criticized: It is biased in favor of the few, the powerful, and the wealthy; It lacks transparency and accountability; and It oppresses support of social and environmental justice. What does this mean for developing countries? Mostly, they are the countries that lose most when the trade system clashes with its principles. Since the early 90s the dispute of developing countries in the WFS has resulted that development orthodoxy has been challenged. In the same way, collaboration with NGOs across the world has changed the international trade strategies of developing countries themselves (and has made quite obvious the different viewpoints within developing countries about international trade.) Sustainability is crucial at this time, especially after the failure of Cancún, and many believe that co-opting elements of the trade justice movement could be useful. Development actors should be aware of these movements and refer to them when solidary initiatives are promoted. But then, trade justice will also 'dictate' an economic development strategy? Part of the history and critique of the trade justice movement may be taken in this sense.

2.4. Sustainable Development

There has been much discussion about the subject of sustainable development, particularly in regard to its relevance to the fair trade movement. Since the 1987 Bruntland Report, which defined sustainable development as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs," much has been written about the concept, its implications, and policy recommendations (A. Gentry, 1995). For the purposes of this discussion,

The Constraints of Social Sciences

sustainable development will be viewed as an integration of development that acknowledges the economic needs of a people with the necessity of conserving the environment and the culture of that people. This definition is intended to be inclusive, covering that which a people needs to create or expand economic activities, as well as factors that restrict the dissipation of resources native to that people. There has been general agreement that sustainable development should be seen as embracing three elements: economic considerations; social progress and equity; and environmental concerns. Thus, sustainable development is widely perceived as involving a balance in the growth of these three considerations, nurturing an integrated policy approach between different government ministries, and promoting a participatory and equitable development process.

Fulfilling these criteria, the concept of sustainable development is for the most part widely accepted within the fair trade movement. Both producer and purchasing fair trade organizations have addressed sustainable development within their mission statements. It was acknowledged at the meeting in 2003 that sustainable development is at the core of the fair trade mission, and resolutions have called for further integration of a sustainable orientation. The international community has in a sense already given its official endorsement of the sustainable development concept in global conferences. Proponents of fair trade argue that the movement is in line with these principles, and that in several respects fair trade practices can be seen as a concrete expression of policies traditionally identified with sustainable development. As such, the fair trade movement has sought to contextualize its activities in terms of this broader framework, and key international documents and targets are frequently referenced. However, the discussion here is not meant to be an endorsement of current international agreements, as much controversy surrounds the effectiveness and equity of both policies and of the long-term objectives set out. Beyond the official goals of sustainability, however, there is a vast literature on related issues of basic needs, environmental degradation, resource depletion, and climate change. There is also

The Constraints of Social Sciences

strong sentiment that sustainable development cannot be accomplished without a coordinated approach across many sectors, and often extending beyond the activities of individual producer groups or purchasers. For its part, the newly framed mandates policies supporting sustainable development, claiming a direct link between fair trade, sustainable development, and ethical consumerism. It is argued that the consequences of current trade imbalances in the world are deleterious to the disadvantaged and represent a serious threat to the interests of future generations. It is contended that fair trade is a positive and viable way to counter these consequences where local production systems are supported, respect for the environment is encouraged, and the preservation of traditional cultures is promoted. Efforts are made to pursue this goal through the development of alternative and independent markets, external support, and through an extensive program of consumer consciousness-raising.

2.5. Income Inequality

Income inequality is emerging as a critical economic variable in the context of economic development and the fair trade debate in the international agenda. The definition of income inequality is first given, and the most important dimensions of income inequality as it relates to demographic groups, geographical regions, and trade are explored. When skewness in the international trade patterns of developed countries is superimposed on their own domestic skewed income distributions, an even more unequal wage distribution emerges. The model is first extended to a trivariate distribution, which embeds the labor market along with skilled-unskilled wage asymmetries as one of its aspects. Intra-sectoral income inequalities are strongly related to the impact of external shocks on the wage structures of developing countries. The argument of how trade may have a differential effect on the price and supply of skilled-unskilled labor is developed, drawing on the empirical literature on international-trade and either wage inequality or the skill-content of expanded-scale trade. The results of studies are presented, followed by a discussion of the econometric techniques and GDP-Capita effect's heterogeneity. Post-1970s studies find that growth is positively affected by trade openness (MAMOON,

The Constraints of Social Sciences

2018). Trade promotes growth because it increases the speed of technological diffusion, facilitates domestic competition, changes the composition of output in favor of more productive goods or sectors, and fosters average resource-use efficiency by increasing economies of scales. However, the embodied-technical-change literature fails to find such growth benefits of trade. Instead, it is found that trade might be skill-and technical-content biased toward the skilled, which exacerbate wage disparities in the South. A simple model illustrates the relationship between trade, technological diffusion, and wage inequality.

2.6. Smallholder Farmers

2.6. Smallholder Farmers Smallholder farmers are crucial to the intended trade justice framework of fair trade. Smallholder farmers produce a large share of the world's food, providing critical food security for their communities. Smallholder farmers are proposed as the main contribution to enhancing local economies and reducing poverty on a broad and equitable basis. Despite this, they often face challenges both broadly shared with other poor people, and also unique to smallholder farmers due to their particular role in food production and local economies. These include difficulties in accessing markets, credit, and technical support, as well as exposure to discrimination through wider economic systems (Cummings, 2015). As a result, smallholder farmers are often marginalized or worse off compared to other parts of the population.

Thus, the practice of fair trade has increasingly focused on the particular problems and potential of smallholder farmers, as well as instances of exemplary success providing the hope of its potential to empower impoverished people. Through a range of market-based measures and community empowerment methods, fair trade has shown the capacity to effectively improve positive outcomes for smallholder farmers in a variety of areas. Nevertheless, recognition is still low and there often remains skepticism of initiatives seeking to accrue the benefits of smallholder farmers. For smallholder farmers to better engage with fair trade principles, flowing from the fair trade foundation and other responsible actors, there is a need to support for education and

The Constraints of Social Sciences

training, as well as greater investment in agriculture and economic development. Nonetheless, for these benefits to be meaningful and sustainable, fair trade operations in the Global North and wider sectors must further engage with this process.

2.7. Global Value Chains

Global value chains (GVCs) are presented as an ideal lens for autoethnographic analysis, since they illustrate in one process the interconnectedness of global production and trade (Nachum, 2021). GVCs recognize that goods produced internationally are often an assembly of increasingly intricate activities performed in several countries. This interconnectedness is not just about the finished product; it includes investment in materials, components and human resources. The stoppage of any one link in this chain would result in the failure of the process as a whole. This brings the ethical and socioeconomic domains of fair trade to the analysis of women entrepreneurs in a global GVC.

GVCs open new venues for social justice, wage equality, and value distribution across global markets. The processes of extraction, manufacturing, packaging, and marketing are highly inventive and force a theoretical analysis of what value is and where it is created. While every link in the chain must add value, the focus is often on the interests of firms from the global north. This might be obvious, but such emphasis neglects the needs and rights of producers. The way national and local producers take their place in the chain tells a lot about wealth and power hierarchies between nations. At the SITFOOD GVC, innovative and creative commoners from Afro-Indigenous peoples are producers of pre-processed materials, but their role in value creation is marginalized. Pursuing the potential of GVC analysis, there is a natural progression to wonder if it is possible or useful to “insert” the principles of fair trade into existing GVCs, potentially enhancing a modicum of fairness and equity within such an uneven terrain? Technology and innovation are the driving force of GVC logic and GVCs bring together knowledge across disciplines. These practices use the GVC of textiles as an example of how

The Constraints of Social Sciences

technology can be either regressive or supportive of innovative, creative, and sustainable fair production.

2.8. Social Responsibility

Social Responsibility is the duty of businesses and consumers to ideally act in a way that benefits society and the environment. Social responsibility refers to the ethical obligation of businesses and consumers to engage in sustainable practices. Deriving from principles like the golden rule, social responsibility underscores treating others how one would like to be treated, a universal right engaging concept. Businesses are also becoming increasingly interested in the concept of corporate social responsibility as a way to support fair trade principles. Similarly, consumers need to be aware of the importance of their own choices and advocacy in contributing to the success of fair trade. There are many ways in which businesses both big and small are choosing to be ethically and socially responsible in their decisions. Transparent and accountable business practices are a crucial aspect of maintaining a climate of ethical sourcing. Companies that purchase and sell on fair terms demonstrate a commitment to fair business practices. Accountability is essential when a business makes a commitment to its suppliers to adhere to fair trade. Social responsibility often intersects with community engagement, with business owners, consumers and community members often working together for the mutual benefit of a region. Fair trade, providing farmers with a steady income and fair conditions, while community-led projects often support local existing businesses and strive for self-sufficiency. This shows an interconnectedness in an industry to be socially responsible. These different models of justice together constitute the background against which an evaluation of Fairtrade from a justice-related standpoint will be carried out. Broad understandings of justice directly related to the broader societal regime have been neglected in theoretical work on Fairtrade (Beck, 2010). Though important, this perspective needs to be enriched by exploring a more differentiated understanding of justice. Fairtrade has also sparked a public discourse on questions of justice, for example the fairness and justice of the

The Constraints of Social Sciences

global trade system. This understanding of justice can generally be informed by two different kinds of moral principles: interactional and institutional ones. On a first view, interactional justice refers to the adequate distribution of the benefits and burdens of cooperation. This narrower understanding of interactional justice can also be articulated in the language of moral rights. Preconditions must be in place that enable members of society to exercise certain moral rights.

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