

VALENTIN BECK

# Theorizing Fairtrade from a justice-related standpoint\*

**ABSTRACT:** This paper argues that the *Fairtrade* certification system represents an illuminating example of the challenge of systematically determining consumer and entrepreneurial responsibilities in our global age. In taking up the central question of what, if anything, may be called ‘just’ or ‘fair’ in *Fairtrade*, I more precisely argue for a two-fold thesis: that (1) a meaningful evaluation of *Fairtrade* must consider both an interactional and an (arguably prior) institutional understanding of global responsibilities to promote justice and that (2) *Fairtrade* can be better defended against several popular objections from the perspective of a theory that adequately differentiates between interactional responsibilities and institutional responsibilities of promoting justice under unjust circumstances.

**KEYWORDS:** Consumer and Corporate Responsibility, Global Justice, Human Rights, Interactions and Institutions, Justice in Market Exchanges, Partial Compliance, Thomas Pogge

•

## Introduction

The *Fairtrade*<sup>1</sup> certification system, organised and overseen by national labelling organisations and the international umbrella organisation Fairtrade Labelling Organisations International (FLO), is one of the most well-known initiatives endeavouring to fulfil the responsibilities of consumers and entrepreneurs towards producers in developing countries. In addition to providing incentives for ecological production methods, the *Fairtrade* system aims primarily at establishing and securing minimal social labour standards in the production processes within developing countries. Its main instruments consist of effectively guaranteed minimum prices and minimum wages, long-term trading

---

\* Earlier versions of this paper were presented at the conference ‘The Diversity of Human Rights’ at the Inter-University Centre Dubrovnik in 2008, at the InIIS/BIGSSS research colloquium at the University of Bremen, the Artec Research Centre for Sustainability at the University of Bremen, the Political Theory Colloquium at the Goethe-University of Frankfurt, and at the GAP7 conference in Bremen (all in 2009). I wish to thank the participants at these events for stimulating discussions. I’m also grateful to Markus Fiebig, Stefan Gosepath, Christoph Humrich, Jekaterina Markov, Peter Mayer, Miriam Ronzoni and Laura Valentini, as well as two anonymous reviewers for their insightful criticisms and very helpful suggestions. A German version of this paper has also been published: ‘Interaktionale und institutionelle Relationen der Verantwortung. Überlegungen zu *Fairtrade* aus gerechtigkeits-theoretischer Perspektive’, InIIS-Working Paper Nr. 36 (Bremen: Institut für Interkulturelle und Internationale Studien, 2009).

1. To distinguish the certification system organised through FLO from the wider movement for justice in international trade, I will use the one-word expression ‘*Fairtrade*’ to refer to the former, while the two-word expression ‘Fair Trade’ will refer strictly to the latter.

partnerships, the requirement of adequate workplace conditions and support for local and regional health, education and infrastructure projects.

The successes of *Fairtrade* in terms of considerably improved working and living conditions for certified producers in developing countries are both empirically demonstrated as well as reflected in a growing public appreciation – as evidenced by the exponentially increasing sales of products displaying the FLO label.<sup>2</sup> Yet critical voices have questioned the aim of expanding the *Fairtrade* system beyond its present form within a still small niche market. Significantly, among the various criticisms are those that are explicitly normative in substance and which hold that the application and extension of the *Fairtrade* system to a broad spectrum of globally traded goods is not desirable. In this paper, I want to examine the tenability of such criticism through the perspective of normative political theory. The key question I shall address is what, if anything, can be called ‘just’ or ‘fair’ in *Fairtrade*, that is, on which conception of justice, and corresponding responsibilities, can its supporters rely. The core methodological premise of this approach is that a justice-oriented theoretical reflection of *Fairtrade* will be illuminating not only for the evaluation of *Fairtrade* as a *practical* approach to improve the conditions of poor producers in the developing world, but also for the *theoretical* task of developing a theory of justice which is sensitive to existing practices.

In the course of the paper, I will first outline the main empirical characteristics of the FLO system and then discuss some criticisms of it. In the following section, an elaboration of the distinction between interactional and institutional responsibilities to promote justice in the global context will provide the theoretical background against which the *Fairtrade* system is to be judged. In the final section, it will be shown how this distinction can be brought to bear on the evaluation of the *Fairtrade* system and how the normative criticisms of the idea of social certification in world trade can thereby be better situated. The main conclusion developed here will be that *Fairtrade* can indeed – despite some room for criticism – be normatively justified, and that theoretical reflection on its normative standing helps us better understand the challenges faced in establishing responsibilities for global justice under unjust background conditions.

### **The Empirical Background and Core Elements of the FLO System**

Historically, the primary goal of *Fairtrade* was to support small-scale agrarian producers in developing countries – those who normally belong to the poorest sectors of these societies – through the establishment of long-term trading partnerships. Today, FLO certifies not only products such as coffee and

---

2. See in particular A. Nicholls and C. Opal, *Fair Trade, Market-Driven Ethical Consumption* (London: SAGE Publications, 2004); D. Jaffee, *Brewing Justice, Fair Trade Coffee, Sustainability, And Survival* (Berkeley: University of California Press, 2007).

cocoa beans, which are still grown by small-scale farmers who own their land cooperatively, but also products like bananas or tea which are typically grown in larger plantations that can also apply for certification if they comply with FLO standards.<sup>3</sup>

The first important element of *Fairtrade* certification is the principle of creating *transparent* and *long-term* trade relationships between producers in developing countries and the importers, processors and distributors of their products. This principle is realized through contracts that bind the distribution partners for a certain period of time and that thereby contribute to their planning reliability.<sup>4</sup>

The second pillar of the FLO system is the aim of *direct trade* with producers by bypassing the unneeded intermediaries who usually play a substantial role in global supply chains. Due to the lack of a functioning infrastructure and of suitable means of transportation for their goods, small-scale farmers in remote rural areas do not enjoy direct access to export markets. Moreover, they often have neither reliable information about market prices nor access to competitive credit markets. This can be taken advantage of by intermediaries who come to their rural areas, buy their products for a price well under the market rate and/or grant them loans with relatively bad conditions.<sup>5</sup> By joining *Fairtrade* cooperatives, small-scale farmers are better able to deal with the disadvantages arising from their market remoteness. The cooperative structure (which in the case of small-scale farmers is a necessary condition for certification), interim payments through the importers as designated by FLO, and continuous consultancy through certifiers all contribute towards independence and planning security. These tools are designed so that rural producers can achieve the means of transport and communication necessary for a more direct trade of their products with importers beyond traditional relationships of dependence.

A prominent third element of the *Fairtrade* system, highly controversial among free trade advocates, is the payment of *minimum prices* to producers. These are fixed for an average period of two years and normally lie well above market prices. The minimum price remains valid as long as the world market price for the respective product, typically subject to considerable fluctuation, remains beneath it. Once the market price rises above the settled minimum price, the latter becomes irrelevant, as purchasers are now required to pay the higher market price. But even in this case a second financial instrument, the so-called *social premium*, comes

---

3. For a comprehensive empirical account of the *Fairtrade* system, see Nicholls and Opal (2004); for views on the history of the Fair Trade movement and the *Fairtrade* certification system, see Jaffee (2007), pp. 12-17, and L. Reynolds, D. Murray and J. Wilkinson (eds), *Fair Trade: The challenges of transforming globalization* (London: Routledge, 2007), pp. 15-32.

4. TRANSFAIR, *Jahresbericht 2007 – Ausblick 2008* (Köln: TRANSFAIR/Rugmark, 2008), p. 7.

5. Nicholls and Opal (2005), pp. 33 et seq.

into play. This second payment is transferred to a special bank account held by the producers and is intended to be used for such local development projects as the building of schools, hospitals and bridges.<sup>6</sup> Both in cooperatives and in larger plantations workers decide independently and with equal voting rights on how the social premium is to be used. In plantations this is made possible through the election of workers' representatives, which plantation owners are obliged to allow and to respect if they don't want to lose FLO certification. Since plantation workers (as opposed to cooperatives) are not commonly owners of the means of production, FLO additionally demands the fulfilment of a more precise set of labour standards. Among these are the payment of region-specific minimum wages, which are often not effectively established outside the FLO system even when they are required by national laws, and the core labour standards of the International Labour Organization.<sup>7</sup>

FLO-CERT, an agency appointed by the FLO but regarded as principally independent, controls compliance with the above mentioned core elements of the FLO system throughout all parts of the supply chain. It can punish violations of the FLO criteria with sanctions ranging up to the decertification of the respective producer organization.<sup>8</sup> In summary, the *Fairtrade* system can be regarded as an essentially market-based approach to fighting global poverty which through the use of moderate measures aims to correct those forms of global market failures that often have catastrophic results on the weakest members of the supply chain.

### **Criticisms of the FLO System**

Independent empirical surveys have repeatedly shown that the above-mentioned aims of *Fairtrade* tend to be fulfilled. By and large, they attest to the positive effect *Fairtrade* has on fulfilling the basic needs of certified producers in the developing world.<sup>9</sup> FLO states that about 1.5 million producers and over 7.5 million persons in their households profit directly from *Fairtrade*, with this number set to continue to rise.<sup>10</sup> But despite these positive findings, the *Fairtrade* system has had to face a number of objections. These objections can be divided into two groups: those that refer primarily to empirically possible or reported deficiencies in the implementation of the FLO system and those that contest the idea of social certification in global trade in general.

6. TRANSFAIR (2008), p. 12.

7. Among these are the rights to freedom of association, the prohibition of all forms of forced labour, the elimination of the worst forms of child labour and the principle of non-discrimination in employment.

8. TRANSFAIR (2008), p. 6.

9. See L. Ronchi, *The Impact of Fair Trade on Producers and their Organisations. A Case Study with Coocafé in Costa Rica*, PRUS Working Paper No. 11 (University of Sussex, 2002); P. Taylor, *Poverty Alleviation Through Participation in Fair Trade Coffee Networks: Synthesis of Case Study Research Question Findings* (Colorado State University, 2002); D. Murray, L. Reynolds and P. Taylor (eds), *One Cup at a Time: Poverty Alleviation and Fair Trade Coffee in Latin America* (Fair Trade Research Group: Colorado State University, 2003); Nicholls and Opal (2005); and Jaffee (2007).

10. Fairtrade Labelling Organizations International, *Annual Report 2007* (Bonn: FLO, 2008), p. 3.

*Criticisms of Implementation Failures within the FLO System*

Doubts belonging to the first group of objections are frequently raised by advocates of the Fair Trade movement and centre on the phenomenon known as the 'mainstreaming of *Fairtrade*'. Products with the FLO label are now an integral part of the product line-up of profit-oriented supermarket-chains, whereas before its launch in the late 80's and early 90's, products associated with the Fair Trade movement could only be found in charity-based outlets. The underlying worry concerning this development is that the adoption of profit-oriented selling-practices might lead to conditions similar to those the Fair Trade movement originally sought to oppose.<sup>11</sup> Another point of criticism, mostly coming from the opposite side of the political spectrum, finds fault in the supposedly lacking efficiency of *Fairtrade* and emphasizes the fact that very little of the price paid for FLO products actually reaches producers.<sup>12</sup>

Despite their clearly divergent motives, the similarity of these objections lies in their reference to those flaws in the *Fairtrade* system which seem to be avoidable within the context of worldwide social certification. With respect to the first concern, some observers point to the need for, and the possibility of, refining the FLO certification system so that large supermarket chains selling products with the FLO label under their own brands are better integrated into the certification process and are not able to exercise pressure that would be counter-productive to the movement's principles.<sup>13</sup> With respect to the second criticism, it should be noted that the division of the price for the final product into the different parts of the supply chain does not point to inefficiency in and of itself, but is instead a direct consequence of the nature of global supply chains. Despite the core aim of direct trade, *Fairtrade* supply chains still consist of more than two parts, including the *Fairtrade* producers, certifiers, processors (as in the case of coffee and cocoa), importers, distributors, packagers and retailers in the developed world. A real and problematic inefficiency seems to exist only in those cases when considerable parts of the retail price are branched off by supply chain members in search of higher profits without any inherent necessity or without benefit to *Fairtrade* producers.

---

11. See Reynolds, Murray and Wilkinson (2007), pp. 103-122.

12. See for example M. Sidwell, *Unfair Trade* (London: Adam Smith Institute, 2008), available at <<http://www.adamsmith.org/publications/economy/unfair-trade-20080225961>>

13. It was argued that the National Fairtrade Initiative of the UK, unlike the National Initiatives of some other countries, allows supermarkets to outsource compliance with the FLO-principles to companies processing, manufacturing and/or packaging *Fairtrade* products, even though it is still the supermarket brand which appears next to the FLO label on the product. As this allows big supermarket chains to utilize pressure mechanisms which should be avoided within the FLO certification-system (like a sudden switch of suppliers in the search for the cheapest price), it could be argued that it is crucial that large supermarket chains remain an integral part of the certification system. See Reynolds, Murray and Wilkinson (2007), pp. 103-122.

This kind of behaviour has already been observed in some parts of the supply chain of certain *Fairtrade* products, as in the case of coffee chains inappropriately charging higher amounts for cups of coffee brewed with *Fairtrade* coffee beans and thereby directly (and illegitimately) profiting from a misleading suggestion of responsible corporate behaviour on their part.<sup>14</sup> But there could be ways of displaying and/or preventing such ‘hidden’ surcharges within the FLO system, and it may be assumed that a higher market presence of *Fairtrade* certified products could, at the very least, help keep unnecessary surcharges within reasonable limits due to increased competition between the various distributors of these products.<sup>15</sup> Despite legitimate doubts about some implementation failures in the supply chain of socially certified products, it is thus to be concluded that the growth of *Fairtrade* in general and the distribution of FLO certified products through corporations in particular do not seem to contradict the ideal of *Fairtrade* in themselves, as long as companies respect the above mentioned core elements and principles.

#### *Normatively Relevant Objections to the FLO System*

Turning towards criticisms of the second group, it is important to point out that they articulate principled concerns about a global certification system like *Fairtrade* as such. These criticisms share the presupposition that the voluntary assumption of responsibility on the part of companies and consumers, which of course underlies the whole concept of *Fairtrade*, is inadequate. This presupposition is present in at least three lines of argument.

First, a rather simple and still only descriptive specification of this line of criticism is the thesis that socially responsible behaviour by consumers and businesspeople as market-actors is illusionary and unrealistic. *Fairtrade*’s market-success, however, serves as adequate evidence that today’s consumers can and do increasingly demand compliance with minimum ethical standards in the production process. Moreover, the establishment of a certification system such as *Fairtrade* can and should be regarded as an attempt to give consumers clearer indications for purchase decisions that are at least partly morally motivated.

A second and intrinsically normative objection to *Fairtrade* would admit that, while consumers and entrepreneurs can act on reasons other than self-interest, it would be *morally wrong* to do so. In the case of companies, it has been famously argued that they *should not* (morally) do this, since their moral responsibility exhausts itself in the maximization of profits.<sup>16</sup> Viewed from this perspective,

14. See T. Harford, *The Undercover Economist* (London: Abacus, 2006), pp. 33 et seq., and Nicholls and Opal (2005), pp. 51-52.

15. See Nicholls and Opal (2005), pp. 51 et seq.

16. See as a *locus classicus*, M. Friedman, ‘The social responsibility of business is to increase its profits’ in G. Chryssides and J. Kaler (eds.), *An Introduction to Business Ethics* (London: Chapman & Hall, 1993), pp. 249-254.

self-interested entrepreneurial behaviour in the sense of the maximization of profits can indeed conform to a compliance with social minimum standards in the production process as long as this compliance is only a reaction to growing concern among consumers and not an intrinsic moral motive on the part of entrepreneurs. Admittedly, the pure form of market liberalism expressed in this stance might well be regarded as being far too radical, especially given that today many entrepreneurs employ concepts like ‘corporate social responsibility’, ‘social entrepreneurship’ and ‘corporate citizenship’ (which all refer to some sort of compliance with social standards) and hold them to be to some degree self-evidentially justifiable. It is, however, no overstatement that such a view, to which I will later refer as the ‘actor-centred criticism of *Fairtrade*’, was for a long time highly influential among economists and seems to have retained influence well beyond this sphere.

A third normative objection may at first sight carry more appeal than the two preceding criticisms. It states that, although consumers and entrepreneurs can be said to carry a degree of responsibility for the fulfilment of social standards in the production process, this should not be redeemed via the voluntary participation in such certification systems but via the implementation of those standards through the agreement on and enforcement of corresponding laws. Several reasons can be given in support of this position. It could be said, for instance, that such a juridification of social standards would be a much more efficient way of realizing the elementary aims of the FLO system, since it would replace the certification system with an effective system of law and law enforcement measures, in which all entrepreneurs would be forced to comply globally with social standards thanks to the threat of legal sanctions in the event of non-compliance. Therefore, even if distributors or vendors of *Fairtrade* products voluntarily abstained from the types of disproportionate surcharge mentioned previously, a scenario of law enforcement would still seem to be the superior option, as the additional costs of administrative certification measures (necessary in any private system of social certification and finally passed on to consumers) would no longer apply. Weightier doubts, which can also be taken as pointing to the necessity of the legal implementation of social standards, focus on the minimum prices paid within the FLO system and consider the risk of counter-productive effects in the event of a quantitative expansion in FLO certification. Such an expansion would induce the wrong market incentives – especially in the agrarian sector, where low world market prices mainly stem from a chronic overproduction of certain goods – since it would have a similar effect as the subsidization of goods which are already being produced in too great a quantity. In this context, critics like Malgorzata Kurjanska and Mathias Risse have even gone so far as to highlight the structural similarities

of *Fairtrade* certification with the heavily contested agricultural subsidies paid to agrarian producers in the USA, Japan and the EU, because both are deemed to be ‘economically “inefficient”, upholding production beyond what the market would sustain’.<sup>17</sup>

A first response to this third type of objection must be that *Fairtrade* cannot yet be seen as a major factor in distorting market prices because market shares in the respective product categories have so far not exceeded one percent;<sup>18</sup> compared with the agricultural subsidies of developed nations, which have for years totalled about \$300 billion and are therefore much higher than all development assistance combined.<sup>19</sup> But if *Fairtrade* continues to rise and if certified products make up much larger market shares, such a danger is at least conceivable.<sup>20</sup> This line of reasoning could lead one to the conclusion that, in the long run, there is no promising alternative to the implementation of social minimum standards on a state (and maybe inter-state) level.<sup>21</sup> Since the comprehensive institutional implementation of minimum social standards in developing countries has so far been not more than a distant dream, the scope of this third type of normatively relevant objection to *Fairtrade*, to which I will later refer as the ‘institutions-centred criticism of *Fairtrade*’, must be regarded as restricted. But, in order to develop a systematic approach justifying responsibilities of consumers and entrepreneurs vis-à-vis producers in developing countries both under the present as well as under future circumstances, this criticism can hardly be dismissed as irrelevant.

When comparing the two main strands of objection to *Fairtrade* considered in this section – criticisms of implementation failures within the FLO system and the more normatively relevant objections to *Fairtrade* – it can be concluded that the second strand, and in particular the institutions-centred criticism, pose the more serious threat. This line of critique is independent of any recognizable minor deficiencies in the implementation of social certification systems that could be remedied through specific adjustments. To get a clearer picture of the relevance of the criticisms considered so far, in the following section I will lay out and discuss some core issues of the debate over justice- and human rights-related responsibilities so that we can then apply them to the case of *Fairtrade* and determine the responsibilities of the different actors involved.

---

17. See M. Kurjanska and M. Risse, ‘Fairness in trade II: export subsidies and the Fair Trade movement’, *Politics Philosophy & Economics*, 7/34 (2008), 29-56, p. 30.

18. See Nicholls and Opal (2005), p. 42.

19. Compare J. Stiglitz and A. Charlton, *Fair Trade For All: How Trade Can Promote Development* (Oxford: Oxford University Press, 2005).

20. See Nicholls and Opal (2005), p. 54.

21. For this line of thought, see Harford (2006), p. 231.



### **Interactional and Institutional Conceptions of Global Responsibilities**

In this section I will make use of a central conceptual distinction in political theory which will help us to identify different types of responsibilities in the context of *Fairtrade*. This is the distinction between interactional and institutional understandings of human rights and justice, and between the corresponding forms of responsibilities generated by these two different understandings of these norms. According to Thomas Pogge, upon whose account I will rely in drawing this distinction, some norms – including norms related to human rights and justice – can be understood in two very different ways: they can be used to judge either *interactions* or *social institutions*. In this sense, Pogge distinguishes between *interactional* and *institutional* understandings of human rights and, correspondingly, between interactional and institutional duties to respect human rights.<sup>22</sup> Before examining the applicability of this differentiation to the case of justice more broadly, it will be useful to examine Pogge's central example, that of human rights.

The difference between the two mentioned understandings of human rights is initially only a *formal* one insofar as both are consistent with very different *substantive conceptions* of human rights, that is, counting some rights as belonging to the spectrum of human rights and excluding others from it. This formal difference can best be clarified by distinguishing the different duties corresponding to each of the two understandings of human rights. Against the background of an interactional understanding of human rights, each postulated right has directly corresponding duties on the part of others (the universal right to bodily security, for instance, would ground a universal duty not to hurt others through one's behaviour), whereas against the background of the institutional understanding of human rights the corresponding moral demands are primarily on social institutions. Pogge writes:

By postulating a human right to X, one is asserting that any society or other social system, insofar as this is reasonably possible, ought to be so (re)organized that all its members have secure access to X, with 'security' always understood as especially sensitive to persons' risk of being denied X or deprived of X officially: by the government or its agents or officials.<sup>23</sup>

According to Pogge, the institutional understanding of human rights as claims upon social institutions takes precedence over the interactional understanding.

---

22. See T. Pogge, 'Human Rights and Human Responsibilities' in C. Cronin and P. Greiff (eds), *Global Justice and Transnational Politics* (Cambridge MA: MIT Press, 2002), pp. 151-195, and T. Pogge, *World Poverty and Human Rights* 2nd edition (Cambridge: Polity Press, 2008), pp. 51 et seq., 70 et seq. and 176 et seq.

23. Pogge (2008), p. 70.

This is because it better articulates the semantic core of the often ambiguous language of human rights.<sup>24</sup> Coming back to one assumption already present in the institutions-centred criticism of *Fairtrade*, we can instantly give another reason for the priority of institutions over interpersonal interactions as the prime object of human rights judgements: it seems by far more effective to protect human rights through jointly built social institutions (including law enforcing institutions) than to just hope for compliance with human rights by individual actors. In the highly complex societies we live in, social institutions, being able to coordinate interpersonal behaviour effectively not least through the threat of legally enforced sanctions, seem to be a more appropriate object for compliance with human rights than interpersonal behaviour alone.

Of course, the priority of the institutional understanding of human rights in no way negates the possibility and perhaps even necessity of having additional moral restraints on interpersonal behaviour.<sup>25</sup> In fact, it would be implausible (if not outright contradictory) of a proponent of an institutional conception of human rights that postulated a right not to be tortured to not also morally condemn acts of torture by private actors. Generally speaking, an institutional conception of human rights can in principle be perfectly compatible with several substantively filled interactional conceptions of human rights, as long as a strong commitment to the institutional component indicating the need to maintain, reform or create social institutions in order to protect human rights stays untouched. Furthermore, to affirm an institutional understanding of human rights in no way means that human rights are norms constraining only the behaviour of government representatives or administration workers. On the contrary: any plausible institutional conception of human rights triggers far reaching *secondary duties* on the part of all members of society to contribute collectively to the (re)formation of social institutions, so that those human rights which are substantively postulated according to any comprehensive institutional conception of human rights are well protected in their societies.<sup>26</sup>

At this point, it is interesting to see why we can even abstain to a certain degree from controversial substantive arguments justifying which particular human rights should be considered universally valid. Once the institutional understanding of human rights is accepted, it can be argued convincingly that, at the substantive level, this already implies the postulation of at least a set of so-called *basic rights*. This is so because, for any rights to be institutionally protected at all, this set

---

24. See Pogge (2008), T. Pogge, 'Menschenrechte als moralische Ansprüche an globale Institutionen' in S. Gosepath and G. Lohmann (eds), *Philosophie der Menschenrechte* (Frankfurt, Main: Suhrkamp 1998), pp. 378-400, and T. Pogge, 'On the Site of Distributive Justice: Reflections on Cohen and Murphy', *Philosophy and Public Affairs*, 29/2 (2000), 137-169.

25. See also Pogge (2008), p. 176.

26. Pogge (2008), p. 70.

of basic rights must be protected institutionally to a certain degree, and must contain at least the basic rights to subsistence, security and perhaps to political participation, though the latter might be contested as already being too specific.<sup>27</sup>

To see how far an institutional conception of human rights which, substantively, only relies on a conception of basic rights can take us, we need to look again at the secondary duties implied by it. It has been suggested already that all members of a society carry a joint responsibility for the design of *their* social institutions, so that the substantively postulated human rights are adequately protected in their societies. But do citizens of different national societies also carry responsibilities towards each other across state boundaries? For instance, do citizens of industrialized nations have an institutional responsibility to protect the human rights of members of poorer societies? Pogge argues that, to a certain extent, they do. It is interesting to note that – at least on his account – this is only the case because, empirically, we live under a system of global economic and political institutions like the WTO, IMF, UN, the World Bank and non-governmental international organisations, whereas in a counterfactual world of completely self-sufficient societies institutional human rights-related responsibilities would not reach beyond these particular political spaces.<sup>28</sup> In a politically and economically interdependent world like ours, the corresponding global institutional responsibilities can then be seen as being directed mainly towards the (re)formation of these global institutions, whereas the question of whether and to what degree citizens of different societies also bear institutional responsibilities towards the (re)formation of the national institutions of societies other than their own remains an open one.<sup>29</sup>

This is where the notion of justice, on which *Fairtrade* conceptually relies, comes into play. One key insight resulting from the discussion of the differentiation between institutional and interactional responsibilities is that social institutions can be held to conform to certain norms, and that secondary

---

27. This argument was first brought forward in H. Shue, *Basic Rights* (Princeton: Princeton University Press, 1980).

28. See Pogge (2008), p. 177. Contemporary political philosophers have developed a range of other accounts justifying or negating the global reach of institutional responsibilities and their precise contents, thereby also relying on other grounds than the mere existence of current systems of political and/or economic cooperation. It would be impossible to do justice to this debate in this paper, and for reasons of limited space its focus has to stay on the distinction of different forms of responsibilities, that is, on the distinction of institutional vs. interactional responsibilities, rather than on their precise content.

29. It should be noted here that the distinction of institutional vs. interactional responsibilities is sometimes coined differently in the literature on theories of global justice, for example in S. Caney, 'Global Poverty and Human Rights' in T. Pogge (ed.), *Freedom from Poverty as a Human Right: Who Owes What to the Very Poor?* (Oxford: Oxford University Press, 2007), pp. 275-302, and in E. Ashford, 'The Duties Imposed by the Human Right to Basic Necessities' in *ibid.*, pp. 183-218. Both authors take the term 'institutional duties' to refer to the fact of shared institutions as the *reason* for the postulation of these duties, rather than referring to the *form* of duties (the meaning used here). Relying on the first criterion, duties to contribute to the (re)formation of the social institutions of other national societies may then be classified alternatively as interactional duties, since the reason for postulating these duties conceptually cannot be the criterion of shared institutions as in the case of global institutions.

institutional responsibilities can be distributed to members of those societies which are structured by these institutions. It might now be asked what justifies taking a conception of basic rights as the baseline for a moral judgement of social institutions. Why shouldn't we apply an even more demanding set of normative principles to national and/or global social institutions, one that would also take into account the different possible societal distributions of goods and judge them according to egalitarian principles, such as the Rawlsian difference principle? Clearly, any normative judgement of social institutions may, in the final analysis, rest on a *conception of justice* in the form of normative principles relying not only on absolute but on relative normative standards comparing different societal distributions of goods. Furthermore, in light of the contested status of egalitarian principles in their application to global institutions, the consensual strategy to rely only on a *minimal conception of justice* seems helpful in the global context, and it is frequently argued that a human rights standard can and should function as such a minimal conception of justice.<sup>30</sup>

The general idea behind this strategy is that reaching international consensus on the view that the fulfilment and protection of human rights through national and global institutions is a necessary condition for the justice of these institutions is more promising than striving for agreement on already sufficient (but possibly morally more demanding) conditions for the justice of these institutions. Global institutions can therefore be judged as being unjust if they do not conform to this normative standard, without indicating concrete criteria, the fulfilment of which would make these institutions just in a comprehensive sense.

### **Evaluating *Fairtrade* in Light of Unjust Background Conditions**

If we bear the distinction between interactional and institutional understandings of responsibilities in mind, we are now well prepared to evaluate *Fairtrade* from a justice-oriented standpoint. We have seen that, although there are good reasons for prioritizing an institutional over an interactional understanding of responsibilities in the global context, this should not be taken to mean that interactional moral principles cannot be plausible in any context, as the case of compatible interactional and institutional understandings of human rights norms has shown above. Besides that, substantive interactional understandings of norms will of course stay of primary importance – especially in representing rules for interpersonal behaviour in spatially more restricted contexts. Nor is the postulation of the institutional understanding of human rights and corresponding responsibilities without its own difficulties, many of which stem from the fact

---

30. See Pogge (2008) and A. Buchanan and R. Keohane, 'The Legitimacy of Global Governance Institutions', *Ethics and International Affairs* 20/4 (2006), 405-437.

that the conception of institutional responsibilities with global reach elaborated so far is still a highly abstract one. For it to be action-guiding in a more concrete sense, it needs to be complemented by principles that also take scenarios of non-compliance into account. While returning to the task of evaluating *Fairtrade* from a normative perspective, it will be useful to think about this set of problems in more detail.

#### *Fairtrade Interactionally Understood*

In relation to the two understandings of responsibility introduced in the preceding section, *Fairtrade* can first be interpreted as resting on an *interactional* conception of responsibilities. This is because systems of social certification like *Fairtrade* are guided by the goal of restructuring global supply chains, which are highly non-transparent under normal world market conditions, in such a way as to increase the predictability of the consequences of consumer-producer interactions. Fairtrade can therefore be understood as an attempt to provide a *direct link* between producers and consumers that enables consumers to respect moral standards within global market interactions by buying certified products.

More concretely, the interactional conception underlying *Fairtrade* could be described as aiming at *justice in market interactions*, thereby allowing at least three different but not mutually inconsistent interpretations of what just market interactions consist of. First, and most fundamentally, just market interactions may, in the case of *Fairtrade*, be understood as those which guarantee the fulfilment and non-violation of the producers' basic human rights. The self-described aims of the FLO system include securing a minimally acceptable standard of living for producers and guaranteeing acceptable working conditions within the production process, including the right not to be subjected to forced labour, the right to non-discrimination and the right to freedom of association in employment. Consumers who purchase *Fairtrade* products can therefore be understood as seeking to contribute to the protection of the producers' rights to a minimally adequate standard of living and the above-mentioned labour rights.

Beyond that, the aim of realizing just market interactions can secondly be seen as accounted for through the avoidance of unneeded intermediaries in the supply chain who, under normal circumstances, profit from the spatial remoteness of agrarian producers and buy their products at very low prices or grant them credits with relatively bad conditions. *Fairtrade* could thus be understood as providing conditions in which no one (neither intermediaries nor distributors and consumers in richer countries) profits from unjust and exploitative market transactions – in this case from those interactions that include intermediaries approaching farmers in remote regions and benefiting from their structural disadvantage. The interim payments to agrarian producers in long-term and

secure trade partnerships, as foreseen by the FLO system, can be interpreted as a further instrument to contribute to the elimination of this second kind of injustice in market transactions.

Third, the minimum prices paid to FLO producers could be understood as being just in the more demanding sense that they mirror more adequately the value of the respective product. This is especially relevant against the background of fluctuating world market prices that are also highly influenced by state measures such as agricultural subsidies. In this way minimum prices are not merely one of several tools with which the certification system works towards ensuring a minimally decent standard of living and minimally acceptable working conditions for producers; they could be seen as being just in and of themselves.

Now, in this interactional reading, *Fairtrade* does indeed seem vulnerable to several points of criticism. From a normative perspective, attempts to realize just market exchanges are worthy of critique if they are not also concerned with the underlying distribution of goods *before* the diverse market transactions occur. It could be said that attempts to implement just market exchanges do not capture all that justice is about – and can therefore only be of secondary importance – if they do not also systematically take into account the background justice or injustice of the starting positions of such exchanges.<sup>31</sup> Moreover, one plausible criticism of attempts to realize just market exchanges, which arguably rests on a cosmopolitan understanding of institutional responsibilities to protect human rights, implies that background justice should not only be demanded for those with whom we stand in a relation of economic exchange. In this context it is a common objection to *Fairtrade* that it does not reach many disadvantaged farmers because not all of them can afford the licensing costs required for entry into the FLO system, or because some of them live in regions so remote that it seems structurally impossible to reach them.

Also, the worry formulated in the institutions-centred criticism of *Fairtrade*, namely that the minimum prices could have a counterproductive effect on world market prices in the long run if the FLO system were significantly extended, can be situated in the context of the criticism of the very idea of just market interactions. This warning is directly related to the observation that attempts to realize just market interactions between a restricted group of persons can, under some circumstances, come at the expense of outsiders. But the criticism of the idea of just market exchanges would remain valid even if such distortionary effects on world market prices could be avoided by extending the scale of a system of social certification like *Fairtrade*. In other words: even if (as seems to be the case today)

---

31. For a profound criticism of the idea of just market exchanges, see S. Gosepath, *Gleiche Gerechtigkeit* (Frankfurt, Main: Suhrkamp, 2004), p. 84.

the improvements for farmers within the FLO system did not come at the expense of farmers in developing countries not participating in *Fairtrade*,<sup>32</sup> attempts to realize justice in market transactions would still be vulnerable to the general reproach that justice normatively demands more than to satisfy certain moral standards within such transactions. A sufficient premise for a critique of practical approaches to realizing justice in market exchanges seems to be that those social institutions which are shared by the transaction partners can in themselves be judged unjust. In this context one can point to the influential Rawlsian paradigm that it is the *basic structure of society* (including a scheme of shared economic institutions) which is to be the primary subject of demands of justice, even if demands of justice can be indirectly derived from it and thereby also apply to singular interactions between agents, like market transactions.<sup>33</sup>

With this theoretical background in mind, it is now possible to systematically fend off the simple actor-centred negation of responsibilities to respect social standards on the part of consumers and entrepreneurs mentioned above. From any plausible justice-related standpoint, such a position would only make sense if it were already the case that the basic structure of society distributed goods justly in such a way as to adequately frame the self-interested behaviour of market actors. Typically, however, the extreme form of market liberalism discussed above does not seem to have this need for a just distribution of goods through societal institutions in mind when criticising the attribution of social responsibility to market actors.

Despite the critique coming from the perspective of an institutional understanding of justice, the merits of *Fairtrade* within an interactional reading should not be overlooked. As discussed above, we may grant that (1) the criticisms concerning the implementation of *Fairtrade* can generally be defeated and that it therefore succeeds in realizing 'just market exchanges' in the interpretation given here, if only for the time being. We may also grant that (2) under present circumstances, *Fairtrade* is not detrimental to needy farmers outside the certification system. And if this is true, then *Fairtrade* can be seen as providing something which is worthy in its own right. It improves the standard of living and working conditions of poor producers within the system and enables consumers to respect these minimum social standards within market transactions of a global scale. Even if market interactions like the ones established through *Fairtrade* do not result in justice in a more comprehensive sense, it is important for consumers

---

32. See again Kurjanska and Risse (2008) and Sidwell (2008) for this line of criticism and Nicholls and Opal (2005), p. 42 for doubts that it holds for present circumstances.

33. See J. Rawls, *A Theory of Justice* (Harvard: Belknap Press, 1971), and in particular J. Rawls, *Political Liberalism* (New York: Columbia University Press, 1993), pp. 255-288.

to know that in participating in a system of social certification like *Fairtrade* they can contribute to respecting moral standards in a more restricted sense.

To highlight the sense in which *Fairtrade* corresponds to an interactional as opposed to an institutional understanding of responsibilities, market interactions respecting these standards could be called 'fair' as opposed to 'just'. From the perspective of consumers wishing to act in a socially responsible way it is only important to keep in mind that the participation in *Fairtrade* cannot amount to a comprehensive fulfilment of duties of justice towards poor people around the globe, even though this might at times be suggested by systems of social certification such as FLO. In the remainder of this article, I will discuss why this is not all that can be said about the merits of *Fairtrade* from a normative perspective. Complementing the interpretation of *Fairtrade* along the lines of an interactional conception of global responsibilities, *Fairtrade* shows at least some compatibility with the paramount institutional conception of human rights and justice.

#### *Fairtrade Institutionally Understood*

A central aspect of the discussion of *Fairtrade* elaborated so far has been that justice demands more of consumers than to only respect moral standards within market interactions, and that they do not only bear duties vis-à-vis those with whom they undertake economic transactions. In line with the priority of the institutional conception of human rights we can postulate a wider human rights-based duty to human beings encompassing all extremely disadvantaged persons worldwide, many of whom are situated outside the world trade system. However, the responsibilities implied by the institutional conception of human rights are worded so generally that a gap remains between the abstract formulation of these responsibilities and the concrete steps required to fulfil them. All that has been postulated so far is that the citizens of industrialized nations carry a joint responsibility to reform economic and political institutions on the global level so that they contribute to the protection and fulfilment of basic human rights on a national level.

It is certainly true that even we as individuals are not lacking in general ideas of how to contribute to the institutional protection of human rights through the reformation of our global order. For instance, one might think of the necessity of a reform of the WTO, the World Bank and the IMF, of a change in the current monopoly patent system in the pharmaceutical industry or of the introduction of global rules to fight the resource and borrowing privileges of dictators in developing countries.<sup>34</sup> But besides the need to integrate and spread empirical knowledge about such options and making the public familiar with them, the

---

34. For promising and empirically informed proposals, see for instance Stiglitz and Charlton (2005) and T. Pogge, 'Achieving Democracy', 'Eradicating Systemic Poverty: Brief for a Global Resources Dividend', and 'Pharmaceutical Innovation: Must We Exclude the Poor?', all in Pogge (2008), 152-173, 202-221, and 222-261.



application of more concrete principles seems necessary in order to give better indications of the scope and strengths of our duties as individuals and members of collectives respectively.

While this is obviously a broad theoretical challenge that cannot be comprehensively dealt with in this article, one important insight is that *Fairtrade* may indeed be seen as corresponding at least to some degree to the abstract formulation of global institutional responsibilities. First, it is self-evident that to be able to reform our global institutions, a consensual awareness of the need for political action to further this aim must be promoted among the citizens of the politically influential nations. Besides the aim of improving the living conditions of agrarian producers in developing countries, one of the self-declared aims of *Fairtrade* is to broaden the awareness of the need to reform our global institutions in order to create world market rules that are more just.<sup>35</sup> If *Fairtrade* is indeed able to have such an impact on the minds of consumers, then the results of this impact should not be underestimated, and *Fairtrade's* growing presence in supermarket shelves can hardly be overlooked. Admittedly, an implicit or explicit interactional reading of *Fairtrade* by consumers as being an approach to realize fairness in market transactions might also have the contrary effect, appeasing consumers that all that justice demands is taking part in such systems of social certification. But if *Fairtrade* can succeed in creating an understanding that buying certified products is just the first step in supporting poor farmers and producers in developing countries, and that there is a massive need for institutional reform besides that, then it seems a sensible project even from the perspective of an orthodox institutional conception of global responsibilities. To achieve this, *Fairtrade* may have to add to the information it gives its consumers, perhaps through a variation of labelling designs delivering additional knowledge about the failures of global institutions, or through more effectively targeted public campaigns.

Second, and more importantly, *Fairtrade* can even be identified more closely with the aim of the institutionalization of human rights than has so far been suggested by its 'pure' interactional reading. Coming back once more to the institutions-centred criticism of *Fairtrade*, which postulated the need for the effective implementation of social standards in law, it can be countered that – at least in theory – minimum social standards in a given society could be comprehensively achieved even in the absence of directly corresponding specifications in law.<sup>36</sup> The contrary is also conceivable and can in fact be observed in many developing countries, such as those in which a set of basic rights (including social standards at

---

35. See Nicholls and Opal (2005), p. 25.

36. See Pogge (2008), p. 51.

the workplace) are entrenched in the national legislation but nevertheless fail to be effectively implemented. Reasons for this may be that some countries simply lack the means of securing compliance with these standards and/or that they might, under the present circumstances, have an economic interest not to lose their status as a low-cost production site.<sup>37</sup> It is frequently argued that categorically demanding that developing countries implement labour standards would, under present conditions, be unfair itself. For instance, proposals to make the reduction of trade barriers for developing countries conditional on the implementation of labour standards by those countries may – other things being equal – be deemed as being another protectionist measure on the part of industrialized nations that unfairly hinders economic development in poorer societies.

In the long run, the lack of compliance with social standards may be best addressed through coordinated political efforts to establish effective compensation for developing countries to cover the costs of adapting to social standards.<sup>38</sup> Concerning *Fairtrade* though, it is revealing to see this system of social certification already providing *governance mechanisms* on a larger scale without government engagement securing human rights through law. Local development projects like the building of schools, hospitals, bridges and wells, among other things, which are financed with the help of the social premiums within the FLO system and planned in a participatory way, are a case in point. And even if these development projects cannot be seen as amounting to the comprehensive fulfilment of human rights in those countries, they can still be said to contribute in some degree towards the fulfilment of basic human rights (such as the right to education and health care) within smaller communities. Because of the possibility of such governance mechanisms being brought about by voluntary initiatives like *Fairtrade*, a theory of global responsibilities to promote justice should take into account different degrees of institutionalization of human rights and should be able to design different evaluation criteria for them. The fulfilment of basic human rights through non-state actors should be systematically weighed against other scenarios which foresee a stronger role for state interventions but at the same time appear less promising under conditions of a general lack of compliance with social standards.

International businesses may also have responsibilities when legislative provisions are lacking. Because of the enormous influence of transnational

---

37. See Nicholls and Opal (2005), p. 39.

38. For a proposal that focuses on the need for such compensation measures as necessary incentives for developing countries to finally adapt to labour standards, see C. Barry and S. Reddy, *International Trade & Labor Standards: A Proposal for Linkage* (New York: Columbia University Press, 2008). For a critical discussion of this proposal, see M. Ronzoni, 'Making Access to Trade Conditional on Labour Standards?', *Global Justice: Theory Practice Rhetoric*, 2 (2009), 42-46.

corporations, which extends in some cases to political decision-making processes in developing and emerging economies, they are sometimes confronted with expectations of doing even more for the protection of human rights than just respecting social standards throughout their supply chains. Since they represent a very effective group of collective actors in comparison to the often very weak states in which they are economically active, it is at least not implausible to demand that they also contribute to the fulfilment of the basic rights of those local inhabitants who do not work for them.<sup>39</sup> This may be regarded as an ‘unrealistic’ demand which overestimates an entrepreneur’s potential willingness to act beyond his or her monetary self-interest and at the same time underestimates pressures to stay competitive in relation to rival business actors. But whether corporate actors will in reality comply with social standards also depends on the possibility of improving the public control of corporate behaviour, which under normal conditions still appears non-transparent to consumers and the media because of the countless parts in the supply chain and the frequent outsourcing of production steps. At the same time, whether it is realistic to expect compliance with social standards on the part of companies depends also on the degree to which this is *morally* demanded of them by the public. For this reason as well, it seems to be important to determine the responsibilities of companies when state regulations are lacking to a more concrete extent. But what rationale might be drawn on to approach this task?

A first possible step could be to draw on a principle formulated by Derek Parfit and further developed by Liam Murphy,<sup>40</sup> which was originally meant to prescribe the extent to which individuals are obliged to help people in extreme poverty if similarly positioned individuals fail to do their bit. Parfit’s principle reads as follows: ‘[The principle] does not tell me to give the amount that would in fact make the outcome best. It tells me to give the amount which is such that if we all gave this amount, the outcome would be best.’<sup>41</sup> Now one might ask if this principle can also be used to determine the extent of the responsibilities of transnational corporations under a similar situation of non-compliance; that is, a situation in which not all the companies involved do their share in respecting human rights in the workplace (and maybe even beyond). Such a re-interpretation of Parfit’s principle could demand that transnational corporations be obliged to respect human rights at least to the degree to which they would have to respect them if the institutional basic structure of the particular societies did provide

---

39. See R. Kreide, ‘Weltarmut und die Verpflichtungen kollektiver Akteure’ in B. Bleisch and P. Schaber (eds), *Weltarmut und Ethik* (Paderborn: Mentis, 2007), 267-295.

40. See D. Parfit, *Reasons and Persons* (Oxford: Oxford University Press, 1984), and L. Murphy, *Moral Demands in Nonideal Theory* (Oxford: Oxford University Press, 2000).

41. Parfit (1984), p. 31.

adequate sanctions to all relevant groups of actors to make sure that human rights were fulfilled. Since it was suggested above that such a situation is realistically, although not necessarily, dependent on the juridification of social standards, it seems sensible to empirically devise possibilities of fulfilling such standards through legislation and enforcement measures even if political obstacles were to prevent their implementation. It would thus seem possible to formulate more concretely the minimum extent of a company's obligations even under conditions which lack such juridification. That the voluntary compliance with social standards along these lines is in conflict with the goal of maximizing profits may be true at least as long as the public does not force transnational corporations to comply with social standards through media campaigns and, if possible, through targeted consumer behaviour.<sup>42</sup> In the long run, it could therefore lie in the well-understood interest of corporations to contribute on a political level to the juridification of social standards, since this seems to be the only reliable way of establishing fair competition with other corporations. It should not come as a surprise that such a process leading to the fulfilment of human rights could, therefore, also rest on a motive such as the pursuit of corporate self-interest.

Turning again to the responsibilities of consumers under conditions of background injustice, several lines of thought developed in this article can be brought together. In particular, it may be asked whether consumers have a duty to favour socially certified over non-certified products or whether there is still some degree of moral choice. Along the lines of the account put forward in this paper, a consumer's responsibility should generally be conceived of as being wider than just extending to the interactional relation with the producers of purchased products. It can therefore be concluded that this may legitimately lead to situations in which consumers can weigh the option of buying a certified product and thereby contributing to the well-being of its producers against the option of advancing background justice in another way, for instance by giving money to a non-governmental organization and/or by promoting institutional reform more directly on a political level.

The assumption that consumers are categorically obliged to buy socially certified products seems too strong, just as the assumption that they already fulfil all their duties of justice by buying such products seems too weak. Yet the same assessment can also be stated far more constructively, since consumers can naturally be moved to do both: to respect moral standards within market interactions via participation in systems of social certification (which was seen as carrying some value in itself, even if not topping institutional responsibilities)

---

42. In this context, the growing presence of socially certified products can be seen as indirectly raising the pressure on corporations acting outside social certification systems to respect social standards.

and to work individually and jointly towards the goal of an institutionally just world. In any case, the basic compatibility of *Fairtrade* with the duty to advance the justice of societal institutions also means that the act of buying a *Fairtrade* product can already be reasonably understood as responding to some degree to the wider notion of responsibility of advancing justice in an unjust world.

### Conclusion

The reflections on *Fairtrade* in this paper have brought about several results. Coming back to the central conceptual distinction of this paper, it was shown how *Fairtrade* can, contrary to first appearances, be understood as a practice enabling the fulfilment not only of interactional responsibilities to respect standards of fairness towards producers in developing countries, but also – to a lesser degree – of institutional responsibilities to promote justice globally. Even if institutional responsibilities seem to carry more weight in the global context and are accomplishable in many other ways, *Fairtrade*'s possible contribution to raise public awareness, and more importantly its governance mechanism (put in place through the fulfilment of basic human rights in small communities), may be taken as indicators that *Fairtrade* is a transformative practice in a global age characterized by vast background injustices. Certification systems like that of FLO have the potential to change the view consumers might take towards the issue of corporate responsibility. In this context it was more generally argued that corporations may be regarded as having predominant obligations to respect human rights within global supply chains, while conceding that the thoughts elaborated on here could be amplified through a more comprehensive account of corporate responsibilities under unjust circumstances.

Regarding *Fairtrade*'s admittedly greater affinity to an interactional understanding of responsibilities, it was argued that interactional and institutional conceptions of responsibility, at least in principle, do not conflict with each other. That is, taking certain empirical conditions like the avoidance of harm to other non-participating agents for granted, these two forms of responsibility can be fulfilled in a complementary way. While this may cease to be true at some point in the future, it nevertheless seems to hold under the current circumstances.

---

Valentin Beck  
Goethe-Universität Frankfurt am Main