



Response to Adam Smith Institute Report

25 February 2008

The Fairtrade Foundation **refutes** the **unsubstantiated** claims that Fairtrade does “more harm than good” in the Adam Smith Institute report, published to coincide with Fairtrade Fortnight. This **misinformed** paper completely contradicts our experience of working with farmers and workers in developing countries as part of a coalition that includes all the major development agencies in the **UK**. Releasing this report when thousands of people are trying to make a difference to global poverty by promoting Fairtrade products, is an **insult** to the effort and commitment of Fairtrade producers and their supporters in the UK.

Moreover, the **opinions in this report will be rebutted** by the producers themselves during Fairtrade Fortnight, as people up and down the country have the chance to hear at first hand the difference that Fairtrade makes to **disadvantaged communities in Africa, Asia and South America**. Fairtrade is already helping 7 million people to secure enough for today and a better life tomorrow, through its unique model of trade for development.

Few people can doubt that the present outcome of world trade is unfair. Two billion people work extremely hard to earn a living but still earn less than \$2 per day and the **FAIRTRADE Mark** enables British consumers to choose products that help address this injustice. **As no-one is forced to join a fair trade producer organisation, or to buy Fairtrade products, you would think that free market economists like the Adam Smith Institute would be pleased at the way the British public has taken our voluntary label to its heart - and to the supermarket checkout - to the tune of nearly half a billion pounds worth of goods in 2007 alone[1].** But their report instead applies totally inflexible dogma and outdated information to criticise Fairtrade producers, **without offering any constructive alternative for development other than “leave it to the market”.**

Among the many incorrect claims made in the report are:

- **That Fairtrade producers only benefit at the expense of other producers outside the system.** No evidence is cited for this other than two economists who say that “this must happen because free market theory says so”. In fact, Fairtrade farmers say their co-operatives often bring

Comment [MP1]: This is the official comment of the Fairtrade Foundation, on their website, and it is recommended by their staff.

Comment [MP2]: Not ‘refutes’, rather ‘hysterically denies’.

Comment [MP3]: ‘Unsubstantiated’? It makes a far better case than Fairtrade has done for itself

Comment [MP4]: Dishonest. It is not the Adam Smith Institute report. It is a report by Marc Sidwell, which happens to be published by the Adam Smith Institute.

Comment [MP5]: More emotive and incorrect words.

Comment [MP6]: Yes indeed. You have a duty to analyse why your experience is contradicted by the facts and his analysis. The fact that you were in a coalition does not alter anything, purely emotive.

Comment [MP7]: No. It is a very mild attempt to set the facts straight.

Comment [MP8]: How can you rebut an opinion? Even if you disagree with some of the opinions, as I do, it does not affect the validity of the argument. And no, Fairtrade has not produced the promised rebuttal.

Comment [MP9]: The fact that only a few selected people have benefited from Fairtrade confirms rather than destroys the argument that all other farmers suffer.

It would be honest to give us a chance to hear from some of the 25 million people whose prices fell as a result of Fairtrade, especially people whose children died as a result.

Comment [MP10]: Oh no it isn't!

Comment [MP11]: Non sequitur

Comment [MP12]: Non sequitur

Comment [MP13]: All this implies is that it is a successful scam

Comment [MP14]: The report says things would be better under the free market. Those of us who disagree with free trade dogmatists would say ‘even under the free market.’ That is perfectly constructive.

Comment [MP15]: Not so. All economics, all economists, agree that farmers will increase production if prices rise, and that increased production pushes down prices. There is an overwhelming amount of evidence on this for the coffee industry covering a hundred years. And it has nothing whatsoever to do with free market theory. It is standard orthodox economics.

competition into local markets for coffee for the first time, forcing other traders to match their prices so that more farmers benefit.

- That Fairtrade helps farmers in Mexico (a relatively prosperous country) while ignoring the plight of very poor countries like Ethiopia. Leaving aside the fact that the coffee producing regions of Chiapas in Mexico are some of the poorest in Central America, anyone who has seen the film “Black Gold”[2] will know that Fairtrade through partnerships with people like Tadesse Meskela of the Oromia Co-operative Union is working with thousands of small farmers across Ethiopia.
- Fairtrade keeps people trapped in their traditional poverty instead of diversifying into new ways of earning a living. Again this ignores the feedback from hundreds of producers that the stability and security offered by Fairtrade enables them to invest in diversification which otherwise would be too big a risk.
- The consumer now has a choice of ethical alternatives to Fairtrade. Many of these are promoted by the Adam Smith Institute precisely because they do not attempt to intervene in the free market. However, Fairtrade remains unique in ensuring farmers a price for their crops that covers the cost of sustainable production, a premium for investment in future improvements and support for small-farmer organisations that enable them to compete more effectively in global markets. That is why charities like CAFOD, Christian Aid, and Oxfam[3], with decades of practical experience of fighting poverty in the developing world back Fairtrade as a model for development through trade.

We do not deny that properly managed free trade between partners of similar economic strength and power has the potential to drive economic growth. It is the claim that free trade is the only way to tackle poverty that renders it nonsense in the real world of extreme global inequality. Those of us who have had the privilege of seeing and hearing at first hand the difference that Fairtrade makes to poor communities are not going to be persuaded otherwise by the rehashing of simplistic economic theories. During Fairtrade Fortnight, which runs until 9th March, the public can experience this side of Fairtrade by meeting farmers and workers from our partner organisations. We are more than happy to rely on the common sense of consumers to judge evidence such as this in deciding whether or not they then want to support it.

[1] Estimated retail sales of Fairtrade products reached £493m in 2007, an increase of 81% on 2006. Three out of five people in the UK now recognise the FAIRTRADE Mark (TNS Omnimas 2007) and nine out of ten people have heard of Fairtrade (OC&C 2007).

Comment [MP16]: Anecdote. In fact the opposite is usually the case. Traders paying a higher price, paying cash and using honest scales, force the cooperatives to cut their corruption and improve their efficiency.

Comment [MP17]: This is dishonest again. The Sidwell paper objects to most of the money going to relatively rich countries. His facts are confirmed by the global Fairtrade organization FLO. The odd cooperative in Ethiopia does not alter this. This is another example of the dishonest use of non sequitur and anecdote.

Comment [MP18]: Non sequitur. Dishonest

Comment [MP19]: Yes. The argument is that any organization that is not doing what Fairtrade is, is not doing the same damage.

Comment [MP20]: Dishonest in two ways. First, Fairtrade has not produced evidence of this. Second it ignores the evidence that all non-Fairtrade farmers suffer because of their policy.

Comment [MP21]: God knows they have not achieved a lot

Comment [MP22]: This is not a matter of Fairtrade vs Free trade. Sidwell's defence of free trade was an unconvincing aside in his paper. Few economists agree with free trade. That is not in any way a defence of Fairtrade against the serious criticisms raised by many people including Sidwell.

Comment [MP23]: Non sequitur. Dishonest. And no I do not agree with the free trade argument myself.

Comment [MP24]: So you refuse to examine the economics or any evidence that contradicts you.

Comment [MP25]: Yes, you ask people to judge on anecdotes from carefully selected people whose trips you pay for, rather than on hard fact, statistics and accounts. And on 'common sense' rather than hard analysis.

Comment [MP26]: Fairtrade chooses to ignore the question of how many people they are willing to kill, how many children will die as a result of their policies.

[2] Black Gold is showing across the UK during Fairtrade Fortnight, visit www.blackgoldmovie.com for details

[3] The Foundation was established in 1992 by CAFOD, Christian Aid, Oxfam, Traidcraft and the World Development Movement, later joined by the National Federation of Women's Institutes. Member organisations now also include Banana Link, Methodist Relief and Development Fund, Nicaragua Solidarity Campaign, People & Planet, SCIAF, Shared Interest Foundation, Soroptimist International, Tearfund and the United Reformed Church.

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