

**Fair trade** is one of the most interesting expressions of the **preferential focus on the poor**. It is promoted by zero profit importers, distributors and retailers (called *fair traders*) of food and textile products which have been partially or wholly manufactured by poor rural communities in developing countries under specific social and environmental criteria.

These criteria, defined by the Fair Trade Federation (FTF) are: i) **paying a fair wage** in the local context; ii) offering employees opportunities for advancement (including investment in local public goods); iii) providing equal employment opportunities for all people, particularly the most disadvantaged; iv) engaging in **environmentally sustainable** practices; v) being open to public accountability; vi) building long-term trade relationships; vii) providing healthy and safe working conditions within the local context; viii) providing technical and financial assistance (price stabilisation insurance services and anticipated financing arrangements which reduce financial constraints) to producers whenever possible. Recent theoretical research demonstrate that these criteria contain at least eight different mechanisms which amend existing market failures and **promote inclusion of the poor**.

The **European Fairtrade Labeling Organization**, FLO, certified in 2003 315 organizations, representing almost 500 first level producer structures and **around 900.000 families of farmers and workers from 40 countries** (Moore 2004). FT products were sold by **2700** dedicated outlets (called *world shops*<sup>1</sup>) and by **43000 supermarkets across Europe** (7000 in the US).

FT products have achieved significant market shares in specific segments such as the ground **coffee market in the EU** (2%), the **banana market in Switzerland** (15%) the roast and ground coffee market in the UK (7.2%) and the **tea market in Germany** (2.5%) (Moore, 2004, Cafedirect, 2003).

A recent research<sup>2</sup> demonstrated that benefits from Fair Trade are much wider than those involving the 900.000 families of producers directly involved. The research demonstrates theoretically and empirically that the entry into the market of Fair Trade “pioneers” had the indirect effect of triggering partial imitation from traditional profit maximizing corporations which found it optimal to become more socially responsible to compete with Fair Trade for the share of socially responsible consumers.

In view of these results we argue that **support to Fair Trade with socially responsible consumption and direct involvement in the Fair Trade movement is one of the incarnated ways to realize our mission in the direction of the *magis* because of its direct and indirect effects on the inclusion of the poorest.**

*If CLCers in your communities are active in the promotion of fair trade, do tell us by sending a small message to Leonardo Becchetti (becchetti@economia.uniroma2.it)*

More information on Fair Trade may be found in the website of the European Fair Trade Association <http://www.eftafairtrade.org/doclist.asp> . Theoretical and empirical research on Fair Trade and other related links may be found on the Leonardo Becchetti webpage on social responsibility research [http://www.economia.uniroma2.it/dei/professori/becchetti/responsabilitasociale/index\\_eng.htm](http://www.economia.uniroma2.it/dei/professori/becchetti/responsabilitasociale/index_eng.htm)

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<sup>1</sup> CLCers of Luxemburg are actively involved in running world shops and in promoting fair trade coffee, chocolate and other products

<sup>2</sup> which involved several CLC members in Italy