

# THE FAIR TRADE CHARTER

*The Global Fair Trade Movement works to transform trade to achieve justice, equity and sustainability for people and planet.*

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## Development of the Charter

This document revises and updates the 2009 Charter of Fair Trade Principles which has been widely used as a primary reference document for policy and advocacy work. An international group of experts has advised the World Fair Trade Organization and Fairtrade Labelling Organizations International, the two global networks that have jointly led the revision process (see Sources of Further Information for further details).

The revision process is firstly a response to the proliferation of Fair Trade claims by Organizations and multi-stakeholder initiatives; while this is a positive development it highlights the importance of a clear definition against which such claims can be assessed.

The updating of the Charter also provides an opportunity to highlight Fair Trade's longstanding role in addressing challenges such as inequality, gender rights, climate change and other topics of the United Nation's Sustainable Development Goals.

## Preamble

The Fair Trade movement has evolved over more than 50 years through the efforts of individuals, Organizations and networks who share a common vision of a world in which justice and sustainable development are at the heart of the global economy and who work in many different ways to further their mission, depending on the context of their work and the challenges they are seeking to address. Fair Trade is a diverse, grass-roots movement in which core principles and learning have been developed through practical experience and dialogue rather than by any "top-down" theory or policy process.

This document is intended as a general (non-technical) explanation of the shared vision and values of the global Fair Trade movement. It has three main aims:

- To support the work of Fair Trade Organizations in raising awareness among consumers and citizens of the importance and impact of Fair Trade, so that more people will be inspired to join and support it.
- To facilitate collaboration among Fair Trade Organizations by helping them connecting their specific missions and strategies with the common philosophy of the movement, and to support collaboration with the solidarity economy, organic agriculture movements and others that fight for similar goals to the Fair Trade movement.
- To enable others who work with Fair Trade Organizations, for example in government, academia or the private sector, to recognise the values and approaches that unite the global movement.

## Common Vision

The Fair Trade movement shares a vision of a world in which justice, equity and sustainable development are at the heart of trade structures and practices so that everyone, through their work, can maintain a decent and dignified livelihood and develop their full human potential.

## Definition of Fair Trade

The main global networks of the Fair Trade movement agreed the following definition of Fair Trade in 2001.<sup>i</sup>

*Fair Trade is a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South.*

*Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.”*

## The Need for Fair Trade

Although expansion of global trade in recent decades has been a major contributor to economic growth in most countries, the gains from global trade have not been shared evenly and trade liberalisation has not always delivered its promise of poverty reduction<sup>ii</sup>. For several decades, world trade has grown on average nearly twice as fast as world production<sup>iii</sup> and countries that were able to fully participate in this wave of globalisation saw a dramatic reduction in the numbers of people living in absolute poverty<sup>iv</sup>. Yet inequality has grown dramatically – to the point where the wealth of the richest 1% equals that of everyone else, and where just 8 people (in 2017) own as much as the poorer half of the world's population<sup>v</sup>. The global economic crisis of 2007/8 has amplified these trends. Current levels of inequality – within and between countries - are a major cause of instability, conflict, and forced migrations<sup>vi</sup>.

A fairer trading system based on protecting and enhancing common goods is vital if the international community is to achieve the goal of ending extreme poverty within a generation and promoting shared prosperity in a sustainable manner across the globe. 800 million people still suffer from extreme poverty and face a daily struggle to secure access to land, water, schools, and healthcare. Even for those who have been able to move out of extreme poverty, their position is fragile, and economic shocks, food insecurity and climate change threaten to rob them of their hard-won gains and force them back into poverty<sup>vii</sup>.

As well as improving access to markets for more producers in more countries, a fairer trading system would correct the imbalances of power in supply chains in which many markets are dominated by a handful of firms. These firms have the power to set the terms of trade for their suppliers, forcing prices down, often to levels below the full costs of production, leaving small producers and workers struggling to earn a living wage and vulnerable to exploitation. Conventional trade also fails consumers who consistently express their outrage at production conditions that exploit people or planet and so a fairer trading system would provide citizens with information on supply chains and trading terms so they can make purchasing choices according to their principles.

Fair Trade Organizations work to a different business model that puts people first in trading relationships and connects producers and consumers through greater transparency of supply chains. As well as demonstrating that greater justice in world trade is possible, the Fair Trade movement also works to persuade governments and international institutions to meet their responsibilities to bring fairness to trade structures and processes. Fair Trade adopts a multi-stakeholder approach to rewrite the rules of trade with the needs of small producers, workers and consumers at their heart

and promote trade practices that make the best possible contribution to the fight against poverty, inequality and climate change.

At a time when the limitations of the form of globalisation that has dominated government policies for the past 30 years are so visible, Fair Trade offers a positive alternative that has the potential to transform trade into a force for social justice and sustainability.

## **Fair Trade's Unique Approach to Development through Trade**

Producers and workers face many barriers to securing their fair share of the gains of trade. Fair Trade therefore supports holistic approaches to these problems, in which disadvantaged groups are empowered to work for the changes they need, according to their own situation and context. The following are the most common generic approaches adopted by Fair Trade Organizations in enabling change and sustaining improvements.

### **Creating the conditions for Fair Trade**

- Fair Trade Organizations seek to apply their values in commercial contracts and transactions, putting human relationships rather than profit maximisation at the core of their work. Trading terms offered by Fair Trade buyers enable producers and workers to maintain a sustainable livelihood<sup>viii</sup>; that is one that not only meets day-to-day needs for economic, social and environmental well-being but that also enables improved conditions in the future. There is a commitment to a long-term trading partnership that enables both sides to co-operate through information sharing and joint planning.
- Fair Trade also supports collaborations of different actors, including regulatory authorities, development specialists and finance providers who can complement the work of the trade actors and strengthen the developmental impact of trade.
- Overall, the Fair Trade movement aims to create an environment in which public and private sector policies support economic, social and environmental sustainability in trade so that small producers and workers are able to achieve sustainable livelihoods by exercising their rights and freedoms and earning a living income from viable and resilient businesses.

### **Achieving inclusive economic growth**

- Fair Trade views trade as more than just an economic activity about exchanging goods and services but as a social interaction between people. It aims to strengthen social capital by partnering inclusive and democratic Organizations that are active in supporting education, health and social facilities within their communities as a way of spreading the gains of trade as widely as possible.
- Fair Trade Organizations seek to support such economically marginalised and disadvantaged producers and workers, particularly by partnering associations or co-operatives of small and family-owned businesses, supporting their efforts to build their capacity to manage successful business, develop production capabilities and strengthen access to markets.

### **Providing decent work**

- It is a principle of Fair Trade that everyone should be able to access work that enables them and their families to live in dignity, in a safe and healthy environment and with adequate security and social protection. As a minimum, this means respecting (the higher of) local regulations or international conventions regarding freedom of association and collective bargaining, lack of discrimination, working hours, avoidance of harsh or inhumane treatment, and provision of health and safety training and equipment.
- Beyond this, Fair Trade Organizations recognise and respect the contribution of all kinds of work in creating economic value and work to remove social and cultural barriers to personal

and professional development so that everyone can access education, training and opportunities for promotion.

#### **Empowering women**

- Although women are often the main providers of labour, they are often restricted from accessing land and credit that would enable them to benefit fully from economic activity and opportunities for social and economic development. Fair Trade Organizations work actively to promote gender equity within their own operations and to influence positive change in gender relations among their trading partners.
- As a minimum, Fair Trade Organizations respect the principle of non-discrimination on any grounds, so that women receive equal treatment compared to men in employment opportunities and pay for the same type of work.

#### **Protecting the rights of children and investing in the next generation**

- Fair Trade initiatives tackle the causes of the exploitation of children, by supporting families to earn sufficient income without recourse to child labour and building understanding within communities of the importance of children's wellbeing, educational needs and right to play.
- Fair Trade also addresses the threats facing many rural communities from the lack of incentives for the next generation to become farmers and artisans. Fair Trade Organizations offer young people the option of a brighter future close to their families and as part of their communities by enabling them to learn the skills required for their future working life. Leaders of Fair Trade Organizations, especially women, are powerful role models for young people and help to foster entrepreneurship.

#### **Nurturing biodiversity and the environment**

- In Fair Trade's approach, the environment is not an "externality" to be managed but an integral part of operations so that production and distribution activities maintain the long-term viability of natural resources and biodiversity. The costs of good environmental practice across the entire supply chain including protection of soil and water resources and reduction of energy consumption, greenhouse gas emissions and waste should be embedded in the terms of trade.
- Small-scale farmers and artisans are among the most vulnerable to the effects of climate change and it is important to empower them to tackle this threat by securing expert advice and training and money to invest in adaptation and mitigation.

#### **Campaigning for all trade to be fairer**

- Fair Trade relationships provide the basis for connecting consumers with producers and helping them understand the need for trade justice and the opportunities open to them to achieve change through the products they choose. Fair Trade proves that it is possible to trade in ways that put people and planet before profit.
- The Fair Trade movement regards producers and consumers as social actors as well as economic ones and so Fair Trade also engages with them as citizens, mobilising their support in advocacy and campaigning for wider reform of international trading rules in order to achieve the ultimate goal of a just and equitable global trading system.

#### **Influencing Public Policies**

- Fair Trade Organizations seek to build on the direct impact they achieve through their work and to share the learning from their experience so that Fair Trade values may be adopted more widely in conventional business practices and government regulations.

## Promoting fairness at national and regional levels

- Although Fair Trade originated in initiatives to improve the trade of products from “South to North” (i.e. from historically poorer countries to the established industrial economies), Fair Trade ideas are increasingly being adopted in “South-South” and “North-North” trade (i.e. trade relationships within and between countries, regardless of their geographic location or economic position).

## Building Trust in Fair Trade

The Fair Trade movement recognises the critical importance of securing and retaining the trust of its many stakeholders. Fair Trade Organizations are committed to maintaining the highest possible standards of integrity, transparency and accountability in order to protect that trust.

The Fair Trade movement has therefore made sustained investment over many years in assurance systems to verify compliance with objective and measurable criteria for the work of Fair Trade Organizations. These criteria include

- The World Fair Trade Organizations “[10 Principles of Fair Trade](#)” and
- The “[Fairtrade Standards](#)” of Fairtrade Labelling Organizations International.

Many of the assurance systems also operate voluntary certification and labelling schemes for Organizations or products that meet their criteria in order that trade buyers and consumers can more easily identify Fair Trade products. Trust and confidence in Fair Trade is also strengthened by the movement’s commitment to measuring long-term impact through robust monitoring evaluating and learning processes which drive continual improvement in the work of Fair Trade Organizations.

## External Frameworks

The Fair Trade movement recognises the importance of multilateral frameworks for the protection of human rights and the environment in public policies and business practices and references their provisions in its work. Among the most important frameworks are:

- **Sustainable Development Goals (SDG's).** Adopted by the UN General Assembly in September 2015, the SDG's are an ambitious set of 17 global commitments to combat poverty and achieve sustainable development aimed at “ending poverty in all its forms, everywhere” by 2030. The Fair Trade movement shares with the SDG's the vision of a sustainable world in which people can escape poverty and enjoy decent work without harming the earth's essential ecosystems and resources and in which women and girls are afforded equal rights and equal opportunities, and the importance of involving consumers and informing them of the impact of their consumption's decisions so that they can play their part in tackling poverty and inequality. Accordingly The Fair Trade movement seeks to partner with governments, civil society organizations and the private sector on achieving the Sustainable Development Goals
- **International Labour Organization (ILO) Conventions.** Comprising 190 laws which aim to improve the labour standards of people around the world. Eight of these (on prohibition of forced labour, child labour, the right to organize in a trade union, and suffer no discrimination) are fundamental Conventions which are binding upon every member country.
- **Guiding Principles on Business and Human Rights.** A global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity, adopted by the United Nations General Assembly in June 2011.

## Fair Trade's Achievements: Outcomes and Impact

The Fair Trade movement comprises over 4,000 grassroots organisations and their umbrella structures, representing over two-and-a-half million small-scale producers and workers in over 70 countries. Their products are sold in thousands of World-shops or Fair Trade shops, supermarkets and many other sales points around the world. The movement engages in debates with political decision-makers and has helped to bring social and environmental responsibilities to the agenda of leading companies.

Fair Trade has been recognised as a unique approach to development in the policies of national governments<sup>ix</sup> and in various reports and opinions by institutions of the European Union. The former United Nations rapporteur on the right to food Olivier De Schutter has noted that "*The Fair Trade movement has set a model that others should seek inspiration from, and that can ensure that global supply chains work for the benefit of small-scale farmers and thus contribute significantly to the alleviation of rural poverty and to rural development*".

Building public support for, and understanding of, Fair Trade is a significant contributor to impact. Communities across the world are working to promote Fair Trade in their area and there are now 1830 Fair Trade Towns in 28 countries<sup>x</sup>. Similar movements exist for schools and universities and places of worship, strengthening inter-cultural and inter-faith understanding and co-operation and connecting initiatives with a global movement for change.

Fair Trade's social and economic impact is an increasing focus of research into sustainable development and poverty reduction. The Fair Trade movement recognises the importance of measuring impact as part of its accountability to producers, consumers, funders and businesses which invest in it, and as a way of capturing learning and building a cycle of continual improvement in its work. At the same time it is important to recognise the challenges of mapping causal relationships between Fair Trade interventions and impacts, and also of quantifying the non-material - or "human" - outcomes such as empowerment, wellbeing and happiness that are some of Fair Trade's most important contributions.

A range of studies<sup>xi</sup> has shown benefits in increased incomes and/or better income security for producers and empowerment of farmers and workers by enhancing democracy in producer organizations and strengthening their voice in supply chains, increasing the participation of women in economic activity and decision making, and complementing the work other initiatives in protecting the environment and tackling climate change. The Fair Trade movement welcomes the growing collaboration with academic and research institutions to improve a shared understanding of impact and to identify new approaches to fairer trade, such as the International Fair Trade Symposiums which have been held since 2002<sup>xii</sup>.

## Sources of Further Information

Information on the two global networks that have led the development of the Fair Trade Charter is provided below. With the support of their joint Advocacy Office these networks seek to enable dialogue beyond their membership bases and provide more accessible information on other parts of the Fair Trade movement.

- **World Fair Trade Organization** ([www.wfto.com](http://www.wfto.com)) is the global network of producers, marketers, exporters, importers, wholesalers and retailers that demonstrate 100% commitment to Fair Trade and apply the 10 WFTO Principles of Fair Trade to their supply chain. WFTO operates in over 70 countries across 5 regions (Africa, Asia, Europe, Latin America, and North America and the Pacific Rim) with elected global and regional boards.

- **Fairtrade International<sup>xiii</sup>** ([www.fairtrade.net](http://www.fairtrade.net)) is the Organization that coordinates the Fairtrade labelling scheme. It is co-owned by 3 Regional Producer Networks (representing over 1200 Organizations certified to Fairtrade standards in 70 countries) and 20 National Fairtrade Organizations who licence the Fairtrade label and promote it to businesses and consumers.
- **Fair Trade Advocacy Office** ([www.fairtrade-advocacy.org](http://www.fairtrade-advocacy.org)) Based in Brussels, Belgium the Fair Trade Advocacy Office leads the Fair Trade movement's political advocacy at European Union level and contributes to the strengthening of the political advocacy capacities of the global Fair Trade movement.

A history of the Fair Trade movement can be found [here](#)

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<sup>i</sup> Usually referred to as the “FINE Definition” this text was agreed in 2001 by Fairtrade Labelling Organizations International (FLO), International Federation for Alternative Trade (IFAT), Network of World Shops (NEWS), and the European Fair Trade Association (EFTA). IFAT has since been renamed as the World Fair Trade Organization and includes the former NEWS within its membership base.

<sup>ii</sup> Trading Out of Poverty How Aid For Trade Can Help, 2009, <https://www.oecd.org/dac/aft/43242586.pdf>

<sup>iii</sup> World Trade Organisation, World Trade Report 2013 [https://www.wto.org/english/res\\_e/booksp\\_e/wtr13-2b\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/wtr13-2b_e.pdf). Absolute poverty measure = people living on USD1.90 or less per day. 1990 = 1.85 billion (35% global population); 2013 = 767 million (10.7% global population).

<sup>iv</sup> The World Bank estimated a reduction in the number of people living in absolute poverty of 58% between 1998 and 2010. See World Bank Poverty Overview <http://www.worldbank.org/en/topic/poverty/overview>

<sup>v</sup> Oxfam Inequality Report to Davos World Economic Forum, 2017

<https://www.oxfam.org/en/pressroom/pressreleases/2017-01-16/just-8-men-own-same-wealth-half-world>

<sup>vi</sup> Forced Migration is “a general term that refers to the movements of refugees and internally displaced people (those displaced by conflicts within their country of origin) as well as people displaced by natural or environmental disasters, chemical or nuclear disasters, famine, or development projects.”

<http://www.columbia.edu/itc/hs/pubhealth/modules/forcedMigration/definitions.html>:

<sup>vii</sup> World Bank Poverty Overview <http://www.worldbank.org/en/topic/poverty/overview>

<sup>viii</sup> Fair Trade Organizations adopt various tools to ensure that prices and payment terms are mutually agreed on the basis of Fair Trade principles alongside market conditions; where possible there may be guarantees of a minimum price. Fair Trade producers can also request prepayment from buyers where they need this to purchase raw materials or to secure an income until the point of sale.

<sup>ix</sup> Brazil has had a national System for Fair & Solidarity Trade since 2010, Ecuador makes explicit reference in the Constitution and several legislative texts and Colombia’s, National Development Plan 2014-2018 commits support to the Solidarity Economy and to “mechanisms that bring small-scale producers closer to the markets”. See Public Policies in Support of Fair & Solidarity Trade, CLAC Comercio Justo, June 2015 <http://clac-comerciojusto.org/wp-content/uploads/2015/04/Public-policies-in-support-of-fair-and-solidarity-trade-CLAC-FTAO.pdf>

<sup>x</sup> See [www.fairtradetowns.org](http://www.fairtradetowns.org)

<sup>xi</sup> See the bibliography in a paper by independent research consultant Sally Smith for Max Havelaar Netherlands in 2013, accessed via [http://www.shared-interest.com/media/61069/impact\\_studies - summary\\_sally\\_smith\\_april2013.pdf](http://www.shared-interest.com/media/61069/impact_studies - summary_sally_smith_april2013.pdf)

<sup>xii</sup> See <http://www.fairtradeinternationalsymposium.org/>

<sup>xiii</sup> Formally, Fairtrade Labelling Organizations International eV but operating as Fairtrade International