

# **Fair Trade, Corporate Accountability and Beyond: Experiments in ‘Globalising Justice’**

BUILDING FAIR TRADE NETWORKS IN THE ASIAN REGION: ACHIEVEMENTS  
AND CHALLENGES

A PAPER TO BE PRESENTED BY  
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## **1. The Asia Fair Trade Forum (AFTF): A Partnership Vehicle To Achieve Common Goals**

Mixing business with community development is a formidable task, but to the poor of Asia, Africa and Latin America, it provides an accessible way to enjoy fuller meals, keep boys and girls in school, and replace rusty kerosene lamps.

Self-help economic activities, including the production and export of handicrafts and food items started in the 1940's, and continues to address joblessness and insufficient incomes in blighted agricultural and urban communities in these underdeveloped economies. These economic activities in varying stages of development have created significant impact on the quality of life of thousands of households and communities.

Sustained over five decades, these small community-based livelihood projects have, as a matter of practical necessity, bonded together to become a major player in a movement which is known as *Fair Trade* and has become a crucial option and strategy against poverty. “TRADE NOT AID” basically expresses the conviction propelling the *Fair Trade* movement to carry forward people's struggle for a more decent life. It seeks to create *independence* rather than the *dependency* that can be the downside of aid programmes.

The *fair trade market* has emerged as an alternative global market that brings together disadvantaged producers in developing countries with buyers/traders in developed countries. Today, it is estimated that 5 million people in Africa, Asia and Latin America benefit from fair trade. They are producers and farmers organized in smallholdings; home workers and workers in the informal sector, in small and medium enterprises, in tea estates and plantations. Fair trade producers work in partnership with more than 200 importing organizations in Europe, North America and the Pacific to develop and sell products to consumers through more than 3,000 World Shops and 55,000 supermarkets. In Europe alone, more than 100,000 volunteers are involved fair trading operations – mostly in the World shop network.

The fair trade market grew at an average rate of 25% per annum in the last 5 years, thus, becoming one of the fastest growing markets in the world today. In 2006, total retail sales value was estimated at USD 2 billion: 90% comprised of labeled products and 10% unlabeled. Labeled products largely include food commodities such as coffee, tea, cocoa, sugar, honey, banana, other fresh fruit, wine, nuts, spices and fresh vegetables. Non-labeled products comprise handicraft and small-scale food production.

In spite of this impressive growth rate however, the fair trade market comprises a measly 0.01% of global trade. Further, the market growth for the past 10 years has been largely attributed to the food sector, while the handicraft sector has miserably lagged behind. Yet, this sector has unique economic and social significance. Handicraft producers and artisans are mostly home workers who operate in informal economies where wages and incomes are low; working conditions difficult, social benefits almost non-existent. At least 80% of these artisans are women, and statistics show that 70% of the world's absolute poor are women. Craftwork is one of the few viable options for income generation for them because of their lack of education and lack of capital. It is also compatible with their domestic responsibilities because they can engage in production even at home while taking care of their children. To producers who are primarily engaged in farming, craftwork provides a much-needed supplemental income in between planting and harvesting seasons. As such, craft production remains a practical strategy for poverty alleviation.

To increase the market share of craft producers/artisans and ensure their long-term sustainability, there are two major imperatives: (1) they have to increase their competitiveness in terms of product innovation and quality, production capacity, timely delivery, price efficiency and over-all business professionalism (2) they should have access to various marketing avenues and support.

With this in mind, in March 2001, Asian fair trade producers, traders, and business support organizations banded together to form the Asia Fair Trade Forum Inc. (AFTF), an NGO network initially registered in the Philippines. It aims to contribute to the sustainable development of disadvantaged producers in the region by:

- Providing them access to the regional and inter-regional fair trade and mainstream export markets;
- Creating a platform for more effective networking among member-organizations in the areas of skills development, technology transfer, and access to information;
- Promoting fair trade principles and practices in the region.

Presently, the AFTF has a membership roster of 88 social enterprises, cooperatives and confederations from Bangladesh, Cambodia, China, India, Laos, Nepal, Philippines, Pakistan, Indonesia, Sri Lanka, Thailand, and Vietnam. 90% of members are in the craft sector and 10% are small food producers. These members, in turn, work with thousands of grassroots artisans, workers and farmers in Asia, most of whom are women.

The AFTF was the first regional chapter of the International Federation for Alternative Trade (IFAT), which is a global network of fair trade organizations in Africa, Asia, Latin America, Europe, North America and the Pacific Rim.

## **2. AFTF Core Programs and Achievements**

Anchored on the aforementioned objectives, AFTF has three (3) core programs: Market Access, Capacity-Building and Advocacy.

### *2.1. Market Access Program*

AFTF believes that one of the most effective means of linking up with commercial buyers is through participation in international trade fairs. Thus, the AFTF conceptualized the Asia Fair Trade Pavilion, which is a group participation of selected members exhibiting their products in various international fairs in the region.

The objectives of the Asia Fair Trade Pavilion are:

- To give our members exposure and experience in international trade fairs and link them with prospective mainstream buyers;
- To offer an exciting blend of fair trade crafts from different Asian countries in one marketplace;
- To give fair trade products greater visibility and prominence in the Asian mainstream market as a means of promoting fair trade in the region.

Accomplishments of the Asia Fair Trade Pavilion include the following:

- a. Since 2002, the Asia Fair Trade Pavilion has been participating annually at the Bangkok International Gift Fair (BIG). This has enabled our members expand their client base to include commercial buyers from the region such as Japan, Korea, Thailand, and Singapore.
- b. In December 2005, AFTF hosted the Hong Kong Fair Trade Fair, which was an event organized as a parallel activity to the WTO Hong Kong Ministerial. The Pavilion included booths of 30 fair trade companies in Asia, 10 from Africa and Latin America. Buyers and visitors largely comprised of Hong Kong residents, as

well as WTO delegations from around the world. Activities also included a Fair Trade Fashion Show featuring fair trade certified organic cotton.

- c. In December 2007, the Pavilion will participate for the first time in a food exhibition through the Hong Kong Food Festival.

Apart from participation in trade fairs as a tool for increasing market access, AFTF has spearheaded the following:

- d. The development of a fair trade organizational label for craft and small-scale food production, which aims to replicate in the craft sector the enormous success of labeled food products. AFTF has handed over the global implementation of this project to IFAT.
- e. Preparation of our members, through our E-Commerce Program (described below), to participate in various internet-based Artisans' Marketplace such as FairTradeDirect.Com and WorldofGood.Com.

## *2.2. Capacity Building Program*

To support the market access activities of AFTF, we created the Asia Fair Trade Centre for Learning (ACL) in 2003. The ACL is a resource center for product design and business skills consultancy services aimed at upgrading the competency of fair trade companies in Asia to compete in the global market. The ACL has a pool of highly qualified and internationally experienced professionals in the fields of design and business development.

**Phase 1** of this program ran from 2003 to 2006 with two main activities: (a) Product Development and Design Training, or PDDT (b) Business Scan.

The PDDT is a training activity, conducted by Design Consultants individually among member companies, which aims to introduce artisans to basic concepts of product development and design. In the craft sector, product development is a key success factor. This training module includes trend spotting, design conceptualization, costing and pricing, prototyping and sampling, and visual merchandising. At the end of Phase 1, the following were accomplished:

- 59 training missions conducted in 50 member-organizations in 12 countries;
- 879 artisans participated;
- 2,853 designs developed;
- 3,234 prototypes created.

A Business Scan is a cursory organizational review conducted by a consultant to determine the strengths and weaknesses of individual AFTF members, to identify specific

problem areas in their businesses, and to recommend appropriate remedial measures to enable the enterprise improve its performance. This is also a one-on-one method of intervention. At the end of Phase 1, the following were accomplished:

- 20 business scan missions conducted among
- 17 member-organizations in 6 countries

**Phase 2** of the program under the Center for Learning runs from 2006 to 2009. This second phase was developed from the learnings of Phase 1, where the Business Scans indicated the common areas of weakness among AFTF members: (a) Financial Planning (b) Market Planning (c) E-Commerce. As such, the major activities of Phase 2 comprise collective trainings on these three areas.

At the end of 2007, we have accomplished the following:

- Co-development and beta testing of an Export Management Software based on specific needs of AFTF members;
- 2 Senior Level Workshops on Export Management System in India for South Asia and Thailand for Southeast Asia;
- 3 Junior Level Hands- On Training on Export Management Software in South India, Bangladesh and Nepal;
- 2 Market Planning Workshops in the Philippines and Nepal;
- 2 E-Commerce Workshops in Sri Lanka and North India;
- 5 Business Scans completed for 5 members in 4 countries.

The various activities in the Center for Learning provide a platform or forum where our members share valuable experiences and learnings.

### *2.3. Advocacy Program*

Traditionally, fair trade has been export-oriented: Southern producers exporting to Northern buyers. AFTF believes that there is great potential in developing domestic markets for fair trade and also promoting South-South trade. In order to achieve this, AFTF launched in October 2005 its “Consumer Awareness Campaign to Develop Domestic Markets for Fair Trade in Asia”. This is being piloted in the Philippines in partnership with the Philippine Fair Trade Forum.

We also partner with like-minded organizations in Asia, such as Oxfam Hong Kong, in their local fair trade campaigns.

## **3. Key Challenges for the Asia Fair Trade Forum**

Since its inception in 2001, AFTF has faced enormous challenges.

a. ***Creating and Sustaining a Common Vision*** is crucial for a network that provides services to members across 12 countries. This requires strong leadership and clarity of objectives.

The AFTF Governing Board, the policymaking body, is composed of nine (9) representatives of member countries, who are individually elected by their members in their respective countries. As AFTF grows in terms of membership and complexity of programs, an appropriate governance and leadership structure must evolve that is strong and dynamic, whilst being democratic and transparent.

In AFTF, we envisage our members to become competitive and sustainable social enterprises in the marketplace, and the over-arching goal of everything we do is market access. We need to stay focused in order to prevent dissipation of time, energy and resources.

b. The ***large number of members*** who need to benefit from our services compels us to strike a difficult balance between breadth and depth of impact, between collective and one-on-one interventions. With 88 members and still growing, we have been able to reach only 80% of our membership.

c. The ***large disparity in the size of members***, with sales turnover ranging from US\$100,00 to over US\$2 million, makes standardization of services (for resource efficiency) also difficult. This also poses a challenge in promoting the interest of small members whilst building on the strength of large members.

In Trade Fair participations, for example, we need to bring the stronger members who are ready to meet the demands of the mainstream market, together with the small members who are only beginning to build capacity.

d. ***Creating synergies among members to scale up production capacity*** is high on the AFTF agenda and is a big challenge we have yet to address. One major factor contributing to the weak market competitiveness of fair trade craft producers is their low production capacity and high production costs. Our members, of varying size and capacity, are individually exporting to common markets and AFTF needs to provide a platform by which they can create synergies and economies of scale.

e. ***Strengthening the country networks*** is essential in meeting the logistics requirement of delivering services region-wide. The country networks in India, Bangladesh, Nepal and the Philippines are fairly well-developed, while AFTF is supporting/ will support the nascent networks in Thailand, Indonesia, Laos and Cambodia.

f. *Measuring the business impact of our interventions on members* is difficult yet important. This requires an appropriate monitoring system which AFTF does not have at the moment.

g. We need to *document best practice* in a way that is practical, useful and relevant to members.

h. Our biggest challenge is *ensuring the financial sustainability of our operations* through internally and externally generated funds. At present, 90% of our budget is financed from donor grants.