

## IN THE NAME of fair trade, we are

encouraged to pay more for everything from cups of coffee and chocolate bars to cosmetics and cut flowers.

- 5 For a product to be certified as fair trade, the importer selling it in the West must pay a minimum price to producers. A voluntary price support scheme is entirely compatible with free trade: there is no conflict between altruism and the market economy. But while filling the
- 10 shopping trolley with fair trade goods may relieve the guilt of middle class consumers, its wider effects may not really be so positive. A combination of economic illiteracy and misguided good intentions has created a monster that threatens the prosperity of the poorest producers.
- 15 Poverty relief would be much better served by a free trade and not a fair trade agenda. Fair trade policies, whether government-enforced or applied through ethical consumer schemes, distort the market. Producers in some countries may choose to produce certain crops
- 20 only because they can get an artificially high price under fair trade schemes. This kicks away the ladder from the poorest producers who have no choice but to stay in the market. Take the example of Mexico, which produces a quarter of fair trade coffee. Because of the incentive
- 25 of fair trade, Mexican producers have decided to keep producing coffee, even expand production. Without this incentive, Mexico could be producing other crops more efficiently. This distorting effect is unfair on poorer countries such as Ethiopia where producing other crops
- 30 is not an option. As a result of fair trade policies, they are faced with greater competition.

Fair trade also punishes producers who are less good at quality – generally the poorest. Setting a minimum price for products encourages retailers to buy only from more

35 affluent producers that can invest in higher quality. Poorer producers may be able to supply lower quality products more cheaply, but there is no incentive to buy these, because the retailers cannot call it fair trade. By simply pronouncing it 'unfair' to pay below a certain price, fair

40 trade supporters seem to believe they can ignore market realities, wave a magic wand and make everything better. But fair trade is like all attempts to control prices: the poorest are cut out of the market.

- Free markets and more open trade have lifted hundreds
- 45 of millions of people out of poverty over the last quarter century. They work because they encourage producers to pursue higher living standards by becoming more productive through mechanization and modernization. By contrast, fair trade supports a romantic view of
- 50 peasant farmers toiling in the fields, day in day out, rather than helping producers buy machinery and move into processing and packaging of products. The Fairtrade Foundation®, which promotes the scheme in the UK, admits it has no policy on mechanization. It has even
- 55 been encouraging producers to become less efficient by growing other crops in between coffee plants. This limits producers' ability to mechanize, locking them into poverty.

- In stark contrast, Starbucks™ has been running
- 60 community projects to help producers construct coffee mills and climb up the economic ladder. Shops like Starbucks, Caffè Nero and Coffee Republic have encouraged consumers to appreciate coffee as a premium product. Consumers are dropping the cheap instant coffee
- 65 they were drinking in the office in favour of cappuccinos and lattes made with high-price Arabica beans. Many producers, following this logic, are now commanding higher prices. This is not because of fair trade but because they are responding to the demands of the market.

- 70 Despite attacks from anti-globalization activists, the truth is that Starbucks has done more than anyone else in expanding markets and raising incomes for coffee producers in developing countries. It is the coffee chains that are the real superheroes of the coffee market, not
- 75 fair trade campaigners.

Why  
**fair trade**  
 is a bad deal

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affluent  
 crop  
 deprive  
 distort  
 magic wand  
 misguided  
 pursue  
 toil