

Governing Fair Trade

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The Argument

- **Different Features of Governance**
 - Roles, Structures, Models
- **Complexity (and Challenges) of Governance in Fairtrade**
 - Five Areas of Governance in Fairtrade
 - Heterogeneity of Actors
- **Some Lessons Learned?**



Governance – Roles, Structures and Models



Three Features of Governance

- **Three Features of Governance**
 - Roles
 - Structures (Boards)
 - Models
- **Contrast Briefly Corporate and Co-op Models**

1. Roles of the Corp. Governance (Boards)

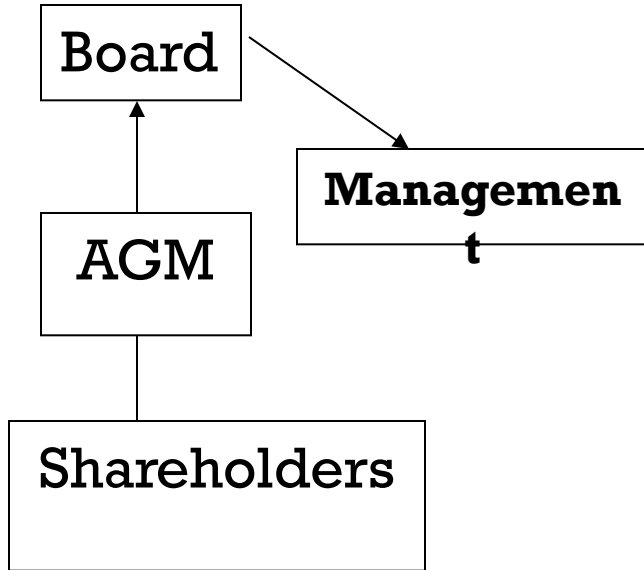
	<u>Conformance Roles</u> Past and Present Oriented	<u>Performance Roles</u> Future Oriented
Outward Looking	Accountability - providing feedback to shareholders, other stakeholders	Strategy Formation - developing plans for the firm's interaction with the external environment (e.g. strategic alliances, profit strategies, financing)
Inward Looking	Monitoring - questioning, judging and supervising management	Policy Making - establishing rules and norms to guide the company in achieving its strategic goals

1. Roles of the Co-op Governance (Boards)

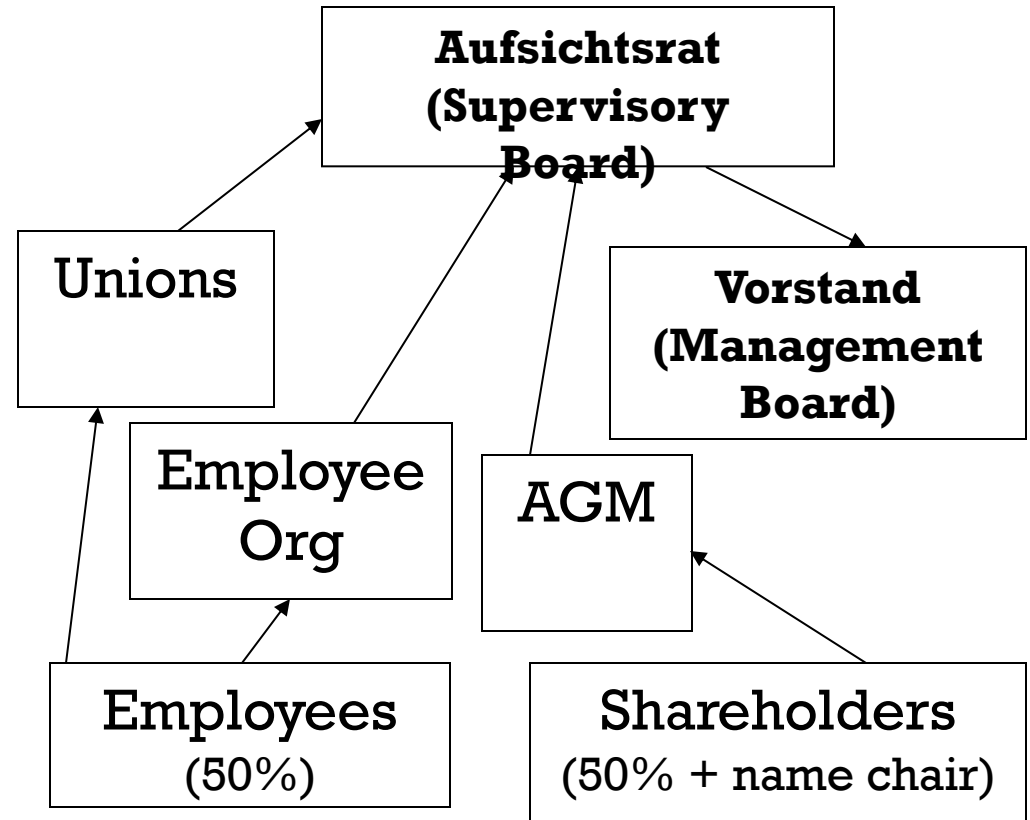
- **Are the Roles formally the same?**
 - Some changes of emphasis?
- **What differs?**
 - Values which define the purpose of the roles?
 - Co-operative Principles
 - The stakeholders to whom the board is accountable?

2. Corp Governance (Board) Structures

- The Anglo-American model



Co-Determination Model

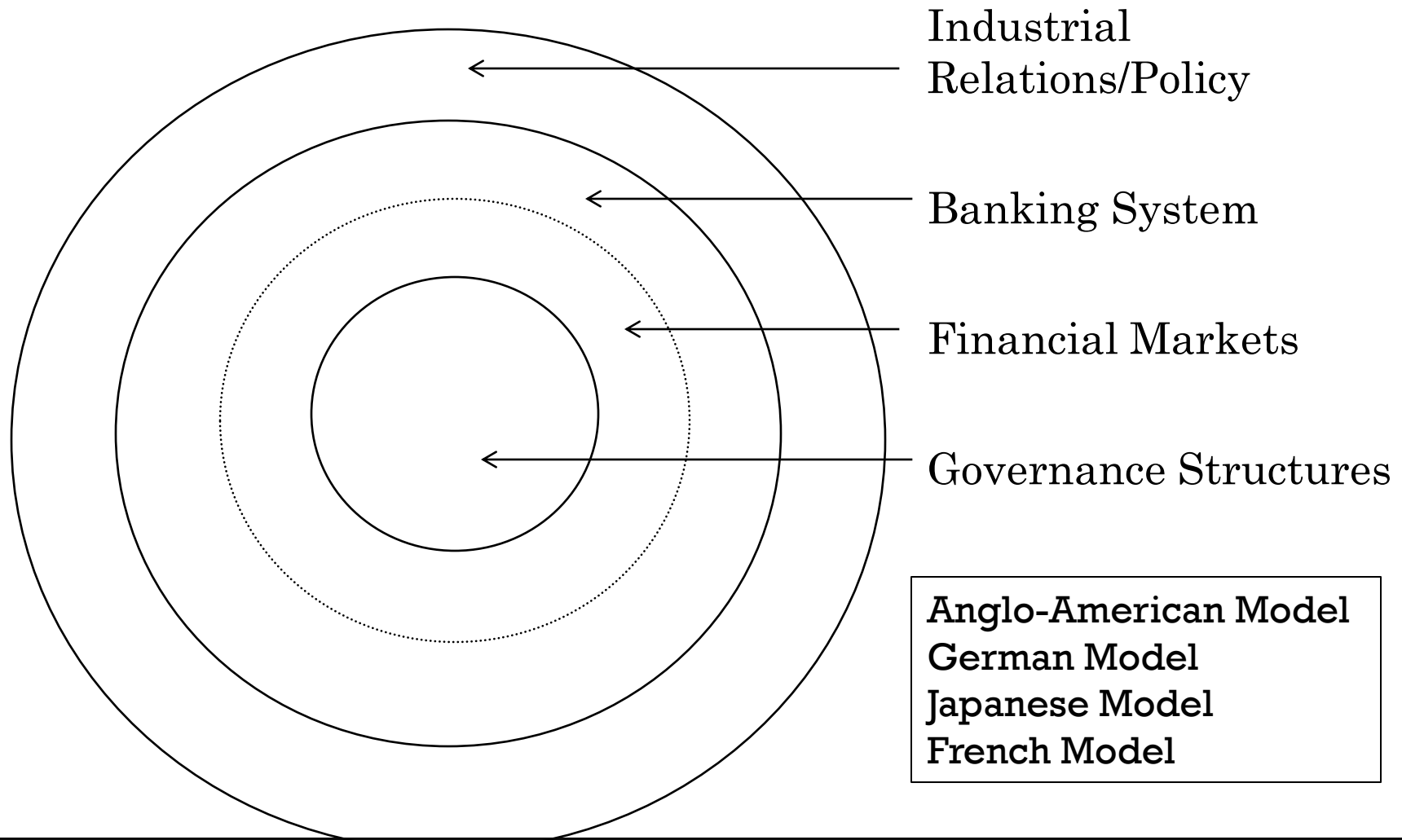


2. Co-op Governance (Board) Structures

- **How do co-operative board structures vary?**
- **What accounts for the variance?**
- **What are the benefits of different structures?**

3. Models of Corporate Governance

(Factors Impacting the Models)



3. Models of Co-operative Governance

- **How and to what extent are models of co-operative governance determined by**
 - Legal structures?
 - Political policies?
 - Economic policies?
- **How does the model of governance impact the ability of co-operatives to perform?**



Complexity and Challenges in Governing Fairtrade



Complexity and Challenges

- **The Complexity**

- 5 different areas of governance
 - Production (Producer co-operatives)
 - Exchange (Value-chain relations)
 - Regulation (Non-state regulatory bodies)
 - Advocacy (Producer organizations)
 - Mobilization (Networks, social movements)

- **The Challenges**

- Not all are co-operative bodies
- Not all are formal organizations
- Not all subscribe to FT or co-operative values

Some Historical Notes on Fairtrade

- **Production by Small Producer Co-ops**
 - The original basis
 - Later production on large estates is allowed
 - Different forms of production in Fairtrade
- **Fairtrade as Trade (Exchange)**
 - Originally based upon solidarity
 - With entrance of corporations, only min stds required
 - Different forms of value chains in Fairtrade
- **Non-state Regulation (Fairtrade Int'l, FLO)**
 - Northern NGOs set regulations, producers excluded
 - Producers on gain membership over time
 - Different forms of regulation in Fairtrade
- **Producer Organizations**
 - First one set up by co-operatives (Latin America/Carib)
 - In Asian and Africa estate owners are involved
 - Different forms of producer association in Fairtrade

Fair Trade Value Chains

Nature of the Value Chain	Corporate Involvement	Model of Governance
1) 100% social economy	none	solidarity
2) social economy dominated	retail	solidarity
3) corporate dominated	retail & licensing	modular (profit maximizing)
4) 100% corporate	retail, licensing & production	hierarchical (profit maximizing)

1. Governing Production

- **Features of Governance**

- Membership

- Small producers (or co-ops in 2nd tier co-ops)
- Shareholders (of corporations)

- Structure

- Co-operative governance
- Corporate governance

- **Issues and Challenges**

- Within Co-operatives

- Family unit as the basis of membership
- Not all producers as small as others

- On estates

- Challenges are seen in turns of profit maximization

2. Governing Exchange

- **Features of Governance**

- Membership
 - Co-op producers and social economy buyers
 - Co-op producers and corporate buyers
- Structure
 - No formal structure – based on min. stds or solidarity

- **Issues and Challenges**

- With social economy actors
 - Relatively minor (cultural issues, language, etc.)
- With corporate actors
 - Upholding minimum standards (little monitoring, enforcement)
 - Moving beyond minimum standards

3. Governing Regulation

- **Features of Governance**

- Membership

- Originally only NGO licensing bodies were members
- Producers later admitted as members

- Structure

- Weighted in favour of Northern NGOs

- **Issues and Challenges**

- Being acknowledged

- As the founders and the “raison d’etre” of fairtrade
- As the key risk-takers
- As partners in decision-making

- Overcoming historic decisions (taken by FLO/NGOs)

- To admit corporate actors with few limitations

- Differing Conceptions of Development

- Moving beyond poverty reduction
- To local ownership and control of production, partnership, etc.

4. Governing Advocacy

- **Features of Governance**

- Membership
 - CLAC – producer co-operatives
 - NAP, FTA – producer co-operatives and estates
- Structure
 - May be similar but
 - Many interests and values are different

- **Issues and Challenges**

- Within co-op based organizations (CLAC)
 - Resource issues
 - Getting consensus from other organizations
- In Heterogenous organizations (NAP, FTA)
 - Coming to consensus in the face of different interests/values

5. Governing Mobilization

- **Features of Governance**

- Membership

- Typically no formal membership structure
 - Members vary – NGOs, producers, community organizations social justice groups, etc.
 - Approach to/knowledge of fair trade varies

- Structure

- Networks, with some organizations as key nodes

- **Issues and Challenges**

- Making joint decisions (no structures for doing this)

- No consensus of goals and values
 - Poverty reduction (eradication) vs local development

- No Consensus on strategies and tactics

- Problems of learning (and subversion)

- Often active measures taken to undermine more radical measures

Co-op and Heterogenous Bodies

Area	Co-operative Bodies	Heterogenous Bodies
1. Production	Small Producer Co-ops	Private Estates
2. Producer Organization	CLAC (Latin Am)	NAP (Asian) FTA (Africa)
3. Exchange	Co-op Value Chain	Chains dominated by Corp. Retailers
4. Regulatory Body	CLAC's Small Producer Label	FLO's Certified FT Label
5. Social Movement	RIPES	Global Exchange, Cdn FT Network



Lessons Learned?



Some Lessons Learned?

- **Need to address governance in different areas**
 - Production, exchange, regulation, advocacy, mobilization
- **The challenges of overcoming history**
 - Problems of introducing co-operative values and processes *post factum*
 - Leads to tough decisions about working with other partners
- **Leverage support from some constituencies to support change in other areas**
 - E.g. value chain and consumer partners to support regulatory change

