

BUILDING SUSTAINABLE AGRI-FOOD SYSTEMS UNDER THE DIVIDED WORLD

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Citation: Ikegami, Koichi. 2019. Building Sustainable Agri-Food Systems under the Divided World. *J. Asian Rur. Stud.* 3(2): 109-129

Abstract: After the UN adopted the Sustainable Development Goals (SDGs), many countries and various sectors have been inclined to be involved in the internalization of SDGs. The first two SDGs show a strong will of the international community to end extreme poverty and hunger, which are the most severe problems that the Millennium Development Goals had attempted to tackle for 15 years without achieving satisfactory results. Both problems are the basic necessities of sustainability. However, current global agri-food systems based on neo-liberalism thought are unlikely to address poverty and hunger deeply. On the contrary, the current mainstream agri-food system accelerates inequality between the rich and the poor. What mechanisms are working to create a divided world? What is required to change the situation? These questions are major concerns of this paper. The divided society cannot achieve sustainable development. Accordingly, the special topic of this paper is to explore alternative movements toward a connected world while reducing global disparities, which can initiate sustainable development. This paper focuses on the development of the concept of Sustainable Development, change in agri-food systems, and critical evaluation of multinational bio-related agribusinesses. After summarizing these topics, this paper highlights the Fairtrade movement as an alternative movement, in particular, and a comparative analysis of consumers' awareness about buying behaviors in different countries. There are no any comparative researches about this topic. Based on the unique research, this paper concludes that the Fairtrade movement can help achieve the SDGs despite many challenges.

Keywords: Agri-food system; Fair Trade; Sustainability; SDGs; Wealth Inequality

1. Introduction

Neo-Liberalism Economics developed as a mainstream economic policy in the late 1970s with the ebb of Keynesian economics. Margaret Thatcher in the UK, Ronald Reagan in the US, and Yasuhiro Nakasone in Japan were the earliest supporters of Neo-Liberalism Economics and were eager to expand Neo-Liberal thoughts across the world.

In 1986, the Uruguay Round of negotiations was initiated under the framework of General Agreement on Tariffs and Trade (GATT) to discuss the promotion of free trade. Finally, GATT was reformed as the World Trade Organization (WTO) in 1995. Agreement on establishing the World Trade Organization (WTO Agreement) declared that "Their relations in the field of trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and

steadily growing volume of real income and effective demand...there is need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development” (WTO, 1995). In short, WTO sought economic development through free trade. Although the concept of free trade was achieved to some extent in terms of reduced tariff rates and tabifications of Non-Tariff Barriers for trade in commodities, protection was strengthened for capital intellectual property rights and the interests of capital investors.

As a result, WTO failed to realize its objectives declared in the WTO Agreement. On the contrary, developing countries (hereafter Global South) in Sub-Saharan Africa and South Asia, in particular, still remain as poor countries with economic inequality. In addition, wealth is radically concentrated in a specified affluent class in the developed countries (hereafter, Global North). A significant proportion of the global wealth is in the hands of a few in the affluent class, while the number of people in extreme poverty does not decrease at all. The world is divided into few wealthy people and numerous poor people.

Accordingly, it is meaningful to reexamine the current situation of the divided world and explore the possibility of building a sustainable agri-food system by Fair Trade. This paper tries to answer such difficult questions.

Figure 1 illustrates the major issues in the 21st century. The North-South and South-South problems, which have resulted from globalization, are key issues behind many other problems. The North-South problem of economic disparity has been discussed ever since the first session of UNCTAD in 1964. On the other hand, the South-South problem is an emerging issue, which implies that economic disparity extends to the Global South. Emerging economies such as BRICS comprise a group at one edge of the Global South, while the Least Less-Developed Countries (LLDCs) in Sub-Saharan Africa and South Asia are placed at another edge. With deepening globalization, North-South and South-South problems are becoming more serious.

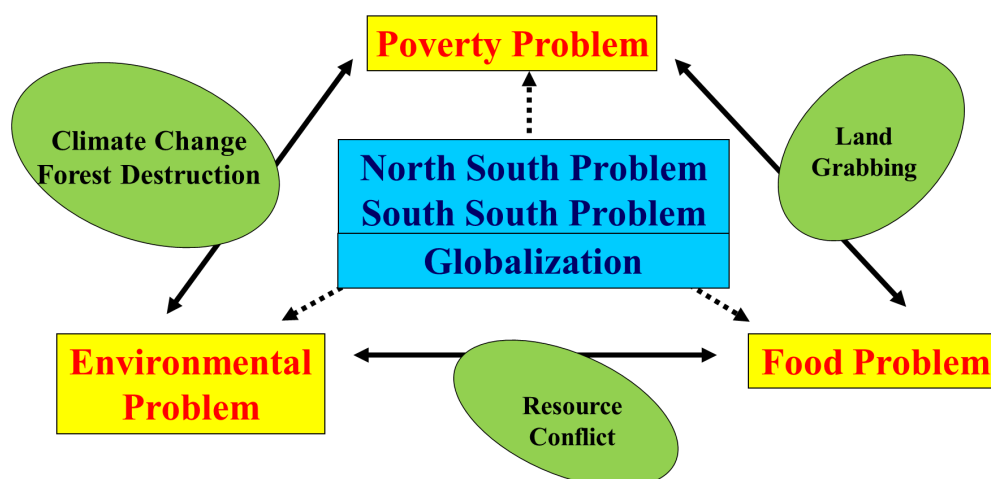


Figure 1 Relationship of Major Issues in the 21st Century

The concrete relationships between the major issues are shown with interactive arrows. They are often regarded as trade-off relationships. Thus, the major issues of poverty, environmental degradation, and food crisis are deeply interrelated. Due to poverty, people in rural areas are likely to over-use natural resources such as forests, land, water, etc., which causes environmental degradation and may lead to food shortage.

Such hardships come from Casino-capitalism or speculative-economies. Although so-called bubble economies have emerged repeatedly since the Tulipomania period in the 1630s, it was after Japan's real estate bubble in the 1980s—the collapse of which influenced the world economy severely—that speculation became an engine for economic growth. The Latin American bubble (Mexican in particular) in the early 1990s, the Internet bubble in the early 2000s, and the Enron Scandal (the Enron Shock) were typical examples of Casino-capitalism. The Subprime Mortgage Crisis in 2007 was followed by the Financial Crisis ('Lehman' Shock) in 2008. The latter proved to be devastating for the world economy. Its impact was greater in the Global South, in particular. At that time, many people thought it necessary to regulate speculation and financial trade among giant banks and funds. However, with time, that reflection caused by the Casino Economy, like Subprime Mortgage Loan, is diminishing little by little.

Another current problem is global warming and climate change. In 2014, the IPCC issued the fifth Assessment Report, which asserted that global warming is unequivocally advancing and that it is necessary to restrain the rise in global surface temperature to below 2 °C relative to pre-industrial levels in order to reduce 40% to 70% of global greenhouse gas emissions between 2010-2050, and to reach zero emission by the end of the 21st century. If that is not done, global warming could have a severe impact on the environment, ecosystem, bio-diversity, economy, agricultural production, and society.

In 2015, the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) adopted the Paris Agreement, which set two important targets: limiting the rise in global temperature well below 2 °C above pre-industrial levels, even 1.5 °C if possible, and zero-emission of CO₂ by the mid of the 21st century. Replacement of fossil energy with natural and renewable energy is an essential condition for attaining these targets of the Paris Agreement. Nuclear power generation should be removed for this purpose because of its high risk. The Hydrogen explosion at the Fukushima Nuclear Power Plant on March 11, 2011, went a long way in emphasizing the need to shift from nuclear power to natural energy. However, that awareness seems to have gradually become weaker, at least in Japan.

Hardships pertaining to the sustainability of the Earth are likely clear to everyone. Nevertheless, the conventional development model still remains strong in business sectors and among policymakers. The belief in Neo-Liberalism seems to be all-pervasive. In addition, the principle of 'My Country First' or 'Me-ism' is exerting its powerful influence in many countries. That trend may present new difficulties before the global community. We have to search for solutions to these difficulties. The Sustainable Development Goals (SDGs) propose one such solution to this weighted question.

In 2015, the General Assembly of the United Nations adopted the transformative document, "Transforming our world: the 2030 Agenda for Sustainable Development," which includes the SDGs. The SDGs were amalgamation of two earlier processes: the

Millennium Development Goals (MDGs) that focused on development agendas such as poverty and hunger, and “Agenda 21” adopted at the Earth Summit in 1992 to highlight environmental issues. SDGs are composed of 17 Goals with 169 Targets, and their underlying policies are judged by 232 Indicators (in 2018)¹⁾.

Although SDGs were not well known soon after adoption, the idea of SDGs became popular later and most government officers take SDGs into consideration for policy making. In this regard, SDGs entered a new stage of localization by country and by region. For example, the Procurement Code of the Tokyo Olympic Games stresses SDGs. Another example is the steady advancement toward social and sustainable sciences in ASEAN²⁾. SDGs are bound to seep into human society step by step.

2. Flat World, but Unequal World: Other Side of Globalization

Thomas L. Friedman, author of the book “The World is Flat” (2005), said that the 21st century is under the age of Globalization 3.0, which means the era of mega-competition or global cooperation on the flat platform. His idea is two-pronged: ‘freedom’ for economic activities and potential for collaboration at the grassroots level. However, the former aspect gained ascendancy to weaken the meaning of ‘Border’ or ‘Mother Country’ and commoditize money with speculation, as was evident in the case of the Panama Papers.

The actual meaning of ‘flat world’ is for capital. For ordinary people, the world is becoming more and more unstable and unequal. The most severe problem accruing from this is accumulation and uneven distribution of wealth, and violation of individual human rights as seen in development projects, large-scale land acquisitions (land grabbing), and reduction of income support policy for the poor. In short, the world is divided into the rich and the poor.

Let’s take Sub-Saharan Africa as an example. Figure 2 and Figure 3 illustrate economic growth and inequality in Africa. The countries cited are the worst ten in terms of GINI indexes in 2009 and later years. In the 21st century, some Sub-Saharan African countries have shown rapid economic growth owing to the production of oil, natural gas, gold, diamond, and other rare mineral resources. Botswana and South Africa are classified as Middle-Income Countries with GNI per capita of more than \$6,000, followed by Namibia and Angola with approximately \$3000 each. Other countries remain in the Low-Income group. The GINI indices in both figures are very high, some of them exceeding 50. Clearly, economic disparity is unbelievably large, and the data reflect conventional inequality.

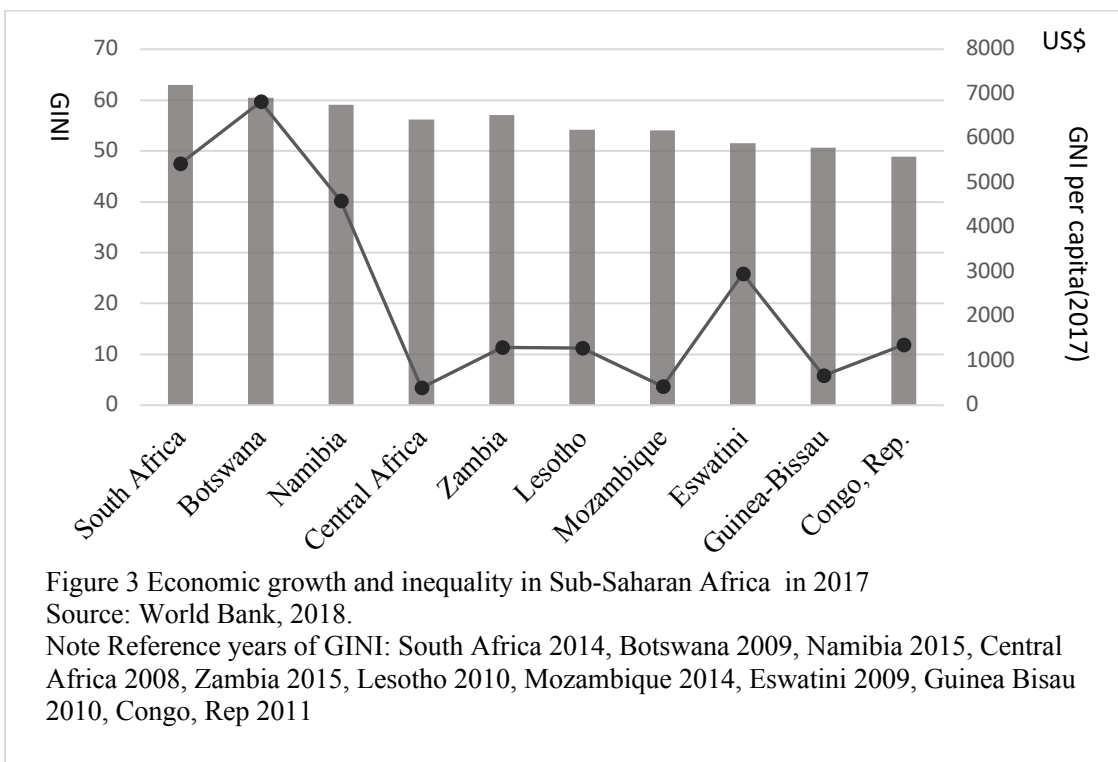
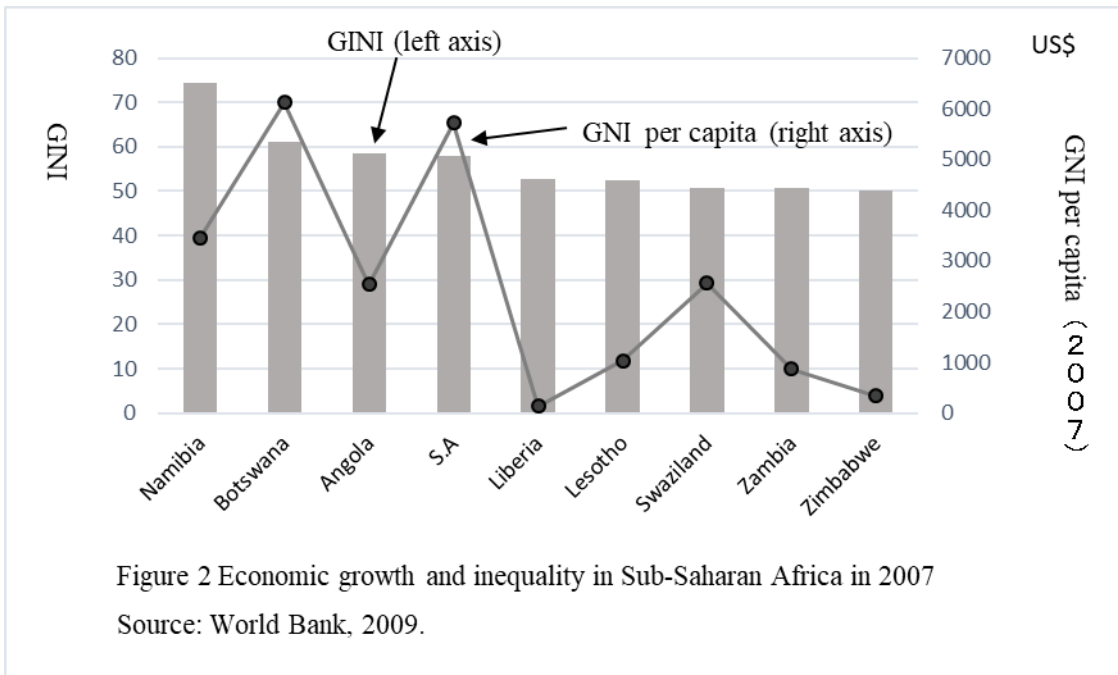


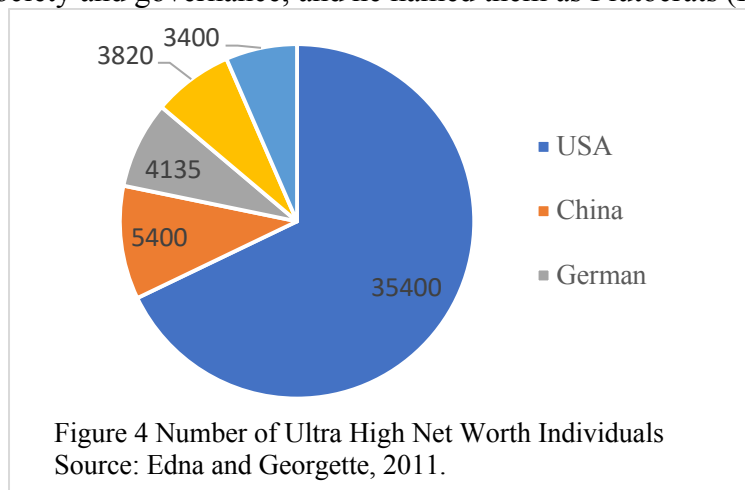
Table 1. Poverty estimates for reference year 2013 (at \$1.90/day) in 2017

Region	Headcount ratio (%)	Poverty Gap (%)	Poor (millions)	Population (million)
East Asia & Pacific	3.7	0.7	73.9	2,007.5
Europe & Central Asia	2.2	0.6	10.4	482.3
L. America & Caribbean	4.9	2.3	30.1	612.9
Middle East & N. Africa	2.3	0.5	8.3	358.4
South Asia	14.7	2.7	249.1	1,699.3
Sub-Saharan Africa	41.0	16.0	390.2	952.3
World Total	10.7	3.3	768.5	7,182.4

Source: Francisco, 2017

Table 1 shows poverty estimates for the reference year 2013 (at \$1.90/day) in 2017. The poverty ratios in East Asia and the Pacific region, Europe and Central Asia, and Latin America and the Caribbean Islands are less than 5%. However, the poverty ratio in South Asia and Sub-Saharan Africa is high; nearly half of the population in Africa lives under \$1.90 per day. The poverty gap is relatively low except in Sub-Saharan Africa. Poverty is marked in Sub-Saharan Africa in terms of the economy.

If we shift our focus to the rich, we can see a different picture. The Credit Suisse Research Institute issued the second annual Global Wealth Report in 2011. Referring to the top tier of the wealth pyramid, the Report highlighted, for the first time, the “Ultra High Net Worth Individuals with net assets exceeding USD 50 million each globally” (Edna and Georgette, 2011). As per June 2011 estimates, the total number of Ultra High Net Worth Individuals (UHNWIs) (Figure 4) reached 84,700, and surprisingly, 2,700 among them had assets worth \$500 million³). The US led with 35,400 UHNWIs, 42% of the global total, followed by China (5,400 or 6.4%), Germany (4,135 or 4.9%), Switzerland (3,820 or 4.5%), and Japan (3,400 or 4.0%). The figures for Japan are surprising because it has for long been considered as an equal nation in terms of wealth distribution. The statistics suggest a drastic change in wealth distribution with the rapid growth of the super-rich and decline of the middle class. In the light of the second annual Global Wealth Report, Freeland recognized the strong influential power of the UHNWIs in society and governance, and he named them as Plutocrats (Freeland, 2012).



How do UHNWIs get such huge wealth? Although the process of wealth accumulation is unclear, the Forbes 400 list provides useful insights. Table 2 shows the change in income source of the 400 richest Americans. In 1982, the leading sector for making a fortune was the oil industry, followed by manufacturing and real estate. Ten years later, oil and real estate slipped significantly. Manufacturing barely managed to hold its position, while finance and media rose in importance. In 2002, finance and media rose rapidly to the top, while IT increased to 12.0% from 4.8% in 1992. In 2006, only finance continued to dominate, accounting for almost a quarter of the Forbes 400 list. Media declined significantly, while IT remained at the same level. The data is indicative of the rapid growth of the finance sector and dramatic decline of the manufacturing and oil sectors. That trend suggests the deepening of Casino-capitalism.

Table 2 Income Source of the Forbes 400 group (%)

Year	Finance	Food	Manufacturing	Media	Oil	Real-Estate	Retail	Service	IT	Others
1982	9.0	9.3	15.3	13.8	22.8	15.0	-	3.2	3.0	8.5
1992	17.0	14.0	14.8	15.5	8.8	8.0	11.0	1.8	4.8	3.8
2002	18.8	9.5	9.0	18.5	7.5	8.0	7.5	6.0	12.0	4.3
2006	24.5	9.0	8.5	13.8	8.5	8.5	6.3	7.3	11.8	2.5

Source: Bernstein and Swan, 2007, pp.112-113

We are living in the same planet. However, on one edge of the planet is a sizeable number of people living with huge wealth, and on the opposite edge are plenty of poor people living in dire conditions. Oxfam considers the problem of economic inequality as something unprecedented in the history of human civilization. In its report entitled “An Economy for the 99%,” released in 2017, Oxfam revealed the overall results of Neo-Liberalism as follows:

- International promises made by the World Economic Forum and the World Bank failed to reduce inequality.
- Since 2015, only the richest 1% has owned more wealth than rest of the population.
- The wealth owned by eight rich people is almost equal to the wealth owned by half of the poorest population of the world.
- The income of the poorest 10% of people increased by less than \$3/year between 1988 and 2011, while the income of the richest 1% increased by 182 times in the same period.
- In Vietnam, the earning of the richest man in a day is more than that of a poor man in 10 years.

In its latest report on the same issue, released in 2019 with the title “Public good or private wealth?”, Oxfam concluded, “Our economy is broken, with hundreds of millions of people living in extreme poverty while huge rewards go to those at the very top. The number of billionaires has doubled since the financial crisis and their fortunes grow by \$2.5bn a day, yet the super-rich and corporations are paying lower rates of tax than they have in decades.” The wealthiest 26 billionaires have the same assets as those of 3.8 billion people in the bottom half of the poorest population in the world. Besides, the wealth of the richest person in the world increased to \$112 billion in 2018, while the

total assets of 3.8 billion people in the bottom half of the poorest population decreased by 11%. Just 1% of the assets of the world’s richest person is equal to the health budget in Ethiopia, a country with a population of 105 million.

3. How does the current agri-food system strengthen the divided world?

3.1. Overall picture of current agri-food system

Most poor people in the Global South live in rural areas and engage in farming. Why do they remain poor for a long time? One of the possible answers may be the global agri-food system. Poor people are integrated into the global agri-food system more or less by sale of their farm products and purchase of agricultural inputs. If the current agri-food system worked suitably, the poor people could have improved their living standards, but that is not the reality.

The agri-food system is referred by other similar terms such as agri-food network, agri-food chain, value chain, and agri-food regime. These terms have slightly different nuances depending on what they prioritize. This paper uses the term ‘agri-food system’ because of the focus on actors of each sector and their systematic linkages.

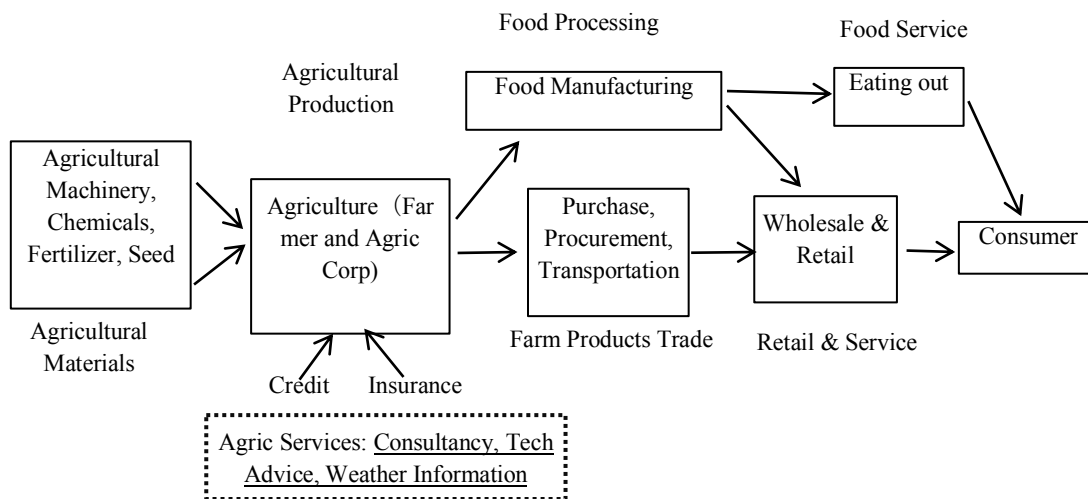


Figure 5 Components of Current Agri-Food System

The current agri-food system can be represented as shown in Figure 5. The most important feature is that multinational corporations (MNCs) have overwhelming power in each component of the agri-food system. Under Neo-liberalism policy, MNCs are free to maximize their own profits. The role of the nation is minimized, sometimes referred to as ‘retreat of the nation,’ or the objectives of MNCs tend to overpower with the nation’s role. This picture is the result of a combination of globalization and influence of MNCs. This regime continues to be in the mainstream. That perspective leads us to possible conflicts, such as strain on food and agricultural resources, wild price fluctuations caused by structural changes in supply and demand, and mental stress due to continuous mega-competition.

As shown in Figure 5, the agri-food system comprises agricultural inputs in the areas of manufacturing, agricultural production, farm products, food processing, and wholesalers/retailers. Agricultural inputs from the manufacturing industry provides machinery, fertilizers, farm chemicals, and seeds. In this sector, bio-technology

corporations are dominant, and speed of technology innovation is very high. Owing to huge investment in R&D, realignment of industries and structural changes are frequent.

Major actors in the business of farm products are often called ‘grain majors,’ most of who enter broader sectors such as production, financial service, information service, and consultancy. Food processing industries are classified into single processing and compound units. As food processing is important for regional economy and dietary habits, plenty of medium- and small-sized actors run their businesses locally. Briefly, the food processing sector is characterized by a dual structure of local and global businesses. Retailers hold a leading position in the agri-food system. Among them, global supermarket chains have fostered strong buying power for survival in price-competitive markets. Yet, other trends have become discernible in recent times, such as expansion of the quality concept into ethical and social quality, certification and labeling including Fair Trade, and traceability through all stages of production.

A major change in the current agri-food system is the increasing role and expanding range of agricultural services. While credit and insurance are conventional services, new services such as consultancy, technological advice, and weather information are now being provided in the agricultural sector by farm product businesses and wholesalers/retailers. As ICT technology advances, new information-based services may have a leading role in the agri-food system.

3.2. Impact of Agri-Food System Led by MNCs

Oligopolistic control by MNCs has encouraged trade in major commodities with MNCs leading the agri-food system. Table 3 is derived from Hisano (2011), which referred to Doris Fucks’ estimate based on data from the German Bundestag. Evidently, there has been a movement toward oligopolization by big international companies trading in farm products. While the MNCs have a share of 70% of the total trade even in rice which people want to eat from their nation, the figure goes up to 90% for other products such as wheat, maize, and coffee. According to Hisano (2011), oligopolization of livestock products is dominant in the US in particular. The market share of the top four chicken packers increased threefold since the 1980s to 59% in 2010, while those of the top three beef packers and top four pork packers were 85% and 66% respectively. In the milk sector, the market share of the top four dairy businesses increased from 21% in 1997 to 43% in 2002. The current agri-food system is controlled by mega MNCs, which leaves very little scope for smallholders in the Global South.

Table 3 Share of top three to six corps in trade of major crops

Crops	Trade Share (%)
Wheat	80-90
Maize	85-90
Coffee	85-90
Rice	70
Cacao	85
Tea	80

Banana	70-75
Cotton	85-90

Note: Estimate is based on data from the German Bundestag.
Source: Doris, 2007. (cited in Hisano, 2011).

On the contrary, MNCs not only influence national policies in a big way but also global decisions, which include policies on agriculture, food, and trade. They manifest their power in the arena of international trade negotiations. That has been evident at the Round of GATT and WTO, and FTA negotiations, where MNCs swayed decisions by lobbying strongly with national delegates, making political payoffs, and being involved as national delegates.

The aim of MNCs is to create or influence rules, standards, and regulations to help their business activities and maximize their profit. A good example of MNCs' strategy is Codex Alimentarius, a collection of standards, guidelines and codes of practice adopted by WHO and FAO. The Codex, which regulates international standards on food safety and health, defines processed foods such as 'chocolate', farm products such as organic products, and determines the residual density of agro-chemicals.

Another strategy of MNCs is to tighten the regulation of intellectual property rights (IPR). In particular, huge R&D investment is essential for the 'bio-majors.' Accordingly, MNCs emphasize the protection of their IPR. The results of that strategy include Trade-Related Intellectual Property Rights (TRIPs) of the WTO, and the International Convention for the Protection of New Varieties of Plants (usually called UPOV Convention).

In short, the agri-food system has transformed into a buyer oligopoly market. Vertical integration has deepened in the livestock sector, especially in dairy and cattle husbandry. Other sectors reflect a combination of vertical integration and horizontal integration through contract farming with trading companies and agricultural inputs.

The agri-food system led by MNCs seems very strong and powerful. Yet, the current agri-food system is facing many crises. As mentioned earlier, MNCs are usually exposed to 'mega-competition' from rivals and face continuous pressure for seeking new markets. In such circumstances marked by market monopoly and oligopoly, it is difficult for new actors to set up and operate innovative businesses. In fact, even some MNCs have been subjected to restructuring and consolidation through M&A deals, such as the purchase of Monsanto by Bayer AG.

Conversely, the agriculture sector is faced with many hardships. Agricultural degeneration due to ageing, depopulation, rural to urban migration, price decline, and so on may undermine food security because farmers are unwilling to continue farming and consumers cannot buy what they want. In this regard, the most severe problem is de-agriculture and decline of smallholders

4. Potential and challenges of Fairtrade as an alternative agri-food system

4.1. Food Sovereignty and Alternative Agri-Food System

However, positive trends are likely to emerge gradually. Some such trends are already evident regarding the idea of food sovereignty and peasants' rights supported by

re-peasantization or reevaluation of the peasant. Food sovereignty, which means the right of all the countries and people to decide policies on food and agriculture, is being developed by Via Campesina, an international organization of medium- and small-sized farmers and agricultural groups. It is a synthesized concept derived from national and democratic sovereignty. It includes two types of rights: one is the nation's right to regulate oppressive activities by MNCs, large countries, and international institutes; the other is the people's right to decide policies on food and agriculture by their own initiative (Mashima, 2011). In other words, food sovereignty means the right to decide 'what we eat' and 'what we produce.' Crucial factors of food sovereignty are impact on health and environment, society and culture, priorities of people's will, and system to support the realization of people's will.

In the context of production, food sovereignty includes the securing of basic factors of production, self-judgment, production for well-being as well as cash crop, enhancement of life rather than the profit-oriented principle, respect for minor subsistence, and practice of decent farming. Such agricultural practice must realize a decent life for smallholders. This idea is supported by the adoption of the 'Declaration on the Rights of Peasants and Other People Working in Rural Areas' by the United Nations Assembly in December 2018. Related with this point, the most important mission of social sciences is to look for the right developmental pathway for smallholders.

The ideas of food sovereignty and rights of peasants have produced several alternative movements on agri-food system in the hope of breaking through the sluggishness in the modern age. These movements are categorized into three types. The first type comprises movements related to poverty reduction, including Fair Trade, ethical trade, solidarity economy, and Tobin tax. The second type is concerned with healthy food and connection between producers and consumers, including local food movement, food citizenship, 'Teikei', CSA, AMAP (association pour le maintien d'une agriculture paysanne), urban farming, Share-seed Projects, etc. The third type includes movements seeking sustainability and concerning Agroecology, use of natural and renewable energy for farming, and so on. The idea of FEC (Food, Energy and Care) Sufficiency Territory can be considered as a synthesized system of the three types.

These alternative movements are accelerated by SDGs and the emerging shared economy represented by services such as car sharing, shared housing, and shared farmlands. With the proliferation of such new businesses, social consciousness will show major changes. These include the emphasis on sustainability rather than growth, collaboration rather than competition, moderation rather than desire, and happiness for all rather than having one winner. People have started to believe that it is enough to be good for the present, but that is wrong and they should take future generations into consideration. "Not 'good only now', but 'for future generation'" is an attractive thought. The growing attention to 'Sufficient Economy Philosophy' in Thailand has the similar backgrounds (Ministry of Foreign Affairs, Kingdom of Thailand, 2017). Such considerations can control and expand the value system, which is currently characterized by the pursuit of economic profit only. The purpose of economic activities shall change from traditional welfare or utility to wellbeing.

4.2. Purpose and framework of Fair Trade

In this paper, Fair Trade is considered as an alternative agri-food system because it strives to ameliorate wealth disparity and poverty by fostering partnerships between marginalized producers in the Global South and conscious consumers in the Global North. Fair Trade is a holistic approach that combines production with consumption in principle.

What does Fair Trade seek to achieve? Basically, it aims to make ‘Trade Fair’ and to realize ‘Trade of Justice.’ That implies the creation of an alternative economic system. Of course, the question of fair or unfair is difficult to answer, subjective, and controversial. Thus, this paper explains only the basic principles of Fair Trade. Fair Trade is a framework to support the poor or marginalized people in the Global South in particular. Fair Trade aims to secure conditions for them to be aware of what they want to achieve and to realize those aspirations. Fair Trade can create a society where everyone can live with respect. In other words, it propagates ‘Virtue of Economy’ (Smith, 1759).

Objectives of Fair Trade can be understood from the perspective of the producers and that of the consumers. From the producers’ perspective, Fair Trade supports marginalized people in the Global South by providing fair prices for their products. From the consumers’ viewpoint, Fair Trade advocates increased awareness about developmental issues amongst consumers in the Global North.

Fairtrade International (formerly Fairtrade Labeling Organization, FLO) and World Fair Trade Organization (WFTO) set the basic standards or principles of Fair Trade. Basic tenets shared by both organizations are summarized as follows:

- Creating opportunities for economically disadvantaged producers
- Building transparency and accountability
- Building capacity
- Ensuring fair price
- Fulfilling advance payments and long-term contracts
- Ensuring premium payment for social development
- Practicing gender equality
- Fostering safe and healthy working conditions
- Saying ‘No’ to child labor
- Protecting the environment

The most fundamental principles are payment of a fair price and premium payment for social development among marginalized people. Fair price means a price setting mechanism called floor price or minimum price, occasionally price premium. It secures reproduction costs, including both production and living costs. In general, fair price is decided on the negotiation base including producers, with a reference to international market prices. Profits from fair price are taken by individual producers.

Premium payment is money for social development to enable capacity building in domains such as education, training, and scholarship, and to improve social infrastructure such as school buildings, libraries, sanitation, and clinics. Premium payment can be used as investment for farming and processing. The allocation of premium payment depends on the decision by a group or an organization of producers, including cooperative and community entities.

4.3. Current achievement of Fair Trade

It is very difficult to identify the achievements of Fair Trade because there are many Fair Trade organizations worldwide. Although Fairtrade International and WFTO are two giant organizations, Fair Trade organizations in the US are independent and some companies previously involved in the FLO certification system, such as Nestle, Starbucks, and Sainsbury, have started their own certification and labeling systems. In addition, there is no comprehensive data to capture the whole picture of Fair Trade at the global level. Therefore, data of Fairtrade International is often used for convenience.

According to Fairtrade International (2018), there were 1,599 certified producers' organizations across 75 countries, covering more than 1.6 million farmers and workers by the end of 2017. In terms of market size, total sales reached €8.49 billion in the same year. As shown in Figure 6, sales were below €1000 million in 2004, but grew rapidly and reached almost €8.5 billion in 2017. Although the annual growth rate exceeded 20% initially, it gradually decreased to less than 10%. However, the average annual growth rate was 18.9% between 2004 and 2017.

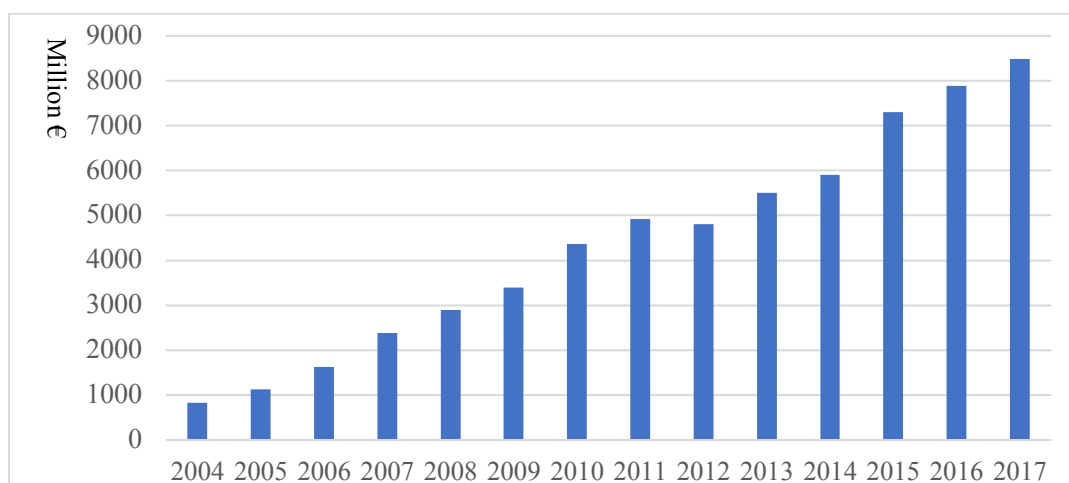


Figure 6 Change in sales of Fair Trade commodities with FLO label
Source: Annual Reports of Fairtrade Labeling Organisations International (2004-09) and Fairtrade International (2010-2017) .

Table 4 Increase in FLO Certified FT Goods

Item	2002	2006	2012	2013	2015	2016	2017
Coffee ('000t)	15.8	52.1	77.4	83.7	179.1	185.8	214.1
Tea ('000t)	1.3	3.9	11.6	11.4	11.5	12.1	10.7
Banana('000t)	36.6	135.8	332.0	372.7	553.0	579.1	641.7
Cocoa('000t)	1.7	7.9	42.7	54.4	102.1	136.7	214.7
Sugar ('000t)	0.7	7.2	159.0	193.8	154.3	166.6	207.2
Flower ('000)	-	15,728	536,669	623,907	747,611	829,101	834,750
Cotton (t)	-	1,551	9,005	7,817	NA	8,125	8,311

Source: Fairtrade International, various years.

Note: A form of Annual Report changed from PDF format to web page in 2014, when listed items decreased to top 6 (in 2015) and top 7 (since 2016).

Quantities of main Fair Trade commodities are shown in Table 4. The range of Fair Trade commodities in the list was very limited in 2002. Generally, tropical products

such as coffee, tea, banana, and cocoa were typical commodities. Currently, the range of Fair Trade commodities with FLO label has expanded rapidly and exceeded 30,000 items in 2017. Surprisingly, Fair Trade commodities include not only farm products and processed food, but also fiber products, gold & associated precious metals (platinum, silver), and carbon credit. Banana is the fastest growing item with an output of more than 6 million tons in 2017, followed by cocoa, coffee, and sugar (about 2 million tons each). The growth rate for trade in flower is high as well.

Figure 7 indicates the estimated market size of Fair Trade commodities by country in 2014 and 2015. As market size is very different by country, this figure displays total sales by logarithm indication. The largest market is UK, where sales increased from €2 billion in 2014 to €2.2 billion in 2015. Germany and the US form the second highest group with sales exceeding €9 million, followed by the third group of Switzerland, France, Sweden, and other countries with sales exceeding €1 million in 2015. Japan and Italy are ranked in the lowest group in the Global North. Significantly, the Fair Trade market is emerging even in the Global South in countries like South Africa, Kenya, and Brazil. That is a very important development for the Fair Trade sector because it encourages a change in our traditional understanding that Fair Trade is North-to-South trade.

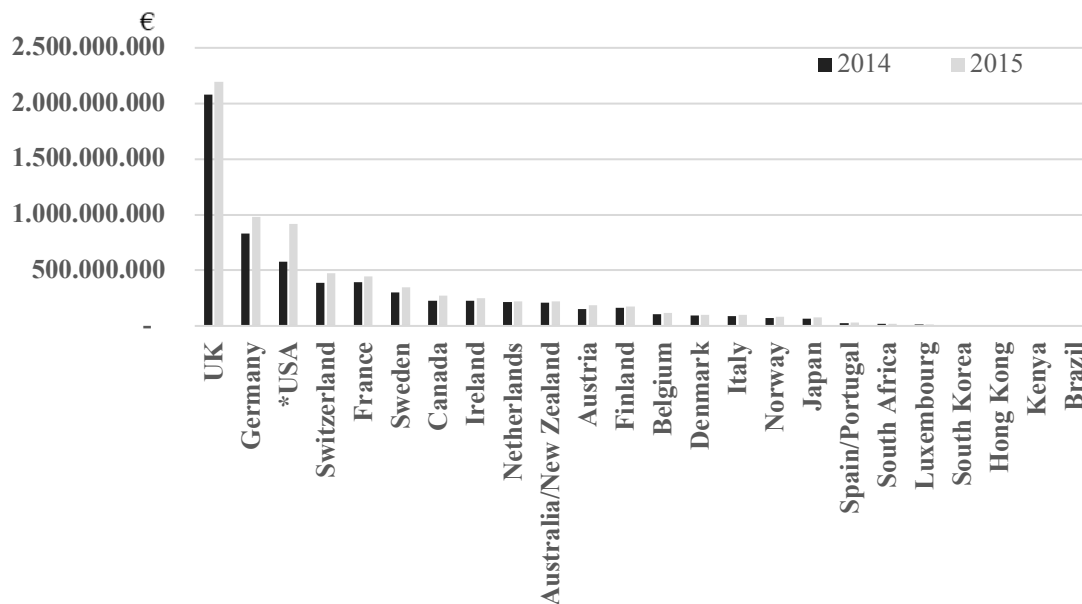


Figure7 Sales of Fair Trade commodities with FLO label by country
Source: Fairtrade International, 2015.

Finally, we focus on the question of the impact of Fair Trade on producers and their community. There are many case studies by academic and in-field researchers. I have also conducted field surveys on coffee in Tanzania and Rooibos tea in South Africa.

Nicholls and Opal (2005) summarized the direct and indirect effects of Fair Trade. Similarly, Mino (2014) referred to Nicholls and Opal’s book and mentioned the direct and indirect impacts of Fair Trade based on his research on coffee production in Laos. Table 5 shows an example of the impact of Fair Trade on producers, based on the aforementioned studies and supplemented with information by the current author. The important lesson demonstrated in this table is the combination of two dichotomies, i.e.,

direct and indirect as well as economic and non-economic. It is noteworthy that they also reflect visible and invisible dichotomy.

Table 5 Direct and Indirect Effects on Producers

Direct Effects		Indirect Effects	
Economic	Non-economic	Economic	Non-economic
	Education Scholarship	Improvement of Bargaining Power	Political Participation
Reinvestment by Cooperative	Culture preservation, Rural Residence	Credit Loan ability	Worker-Employer Relationship in Farms
Benefit Sharing	Psychological Benefit	Influence on non-Fair Trade Farmers	

Source: Nicholls & Opal, 2005.; Mino, 2014.

First of all, Fair Trade should be evaluated by the extent of its contribution to poverty reduction because Fair Trade aims to foster independence of people marginalized in the capitalist economy. From this viewpoint, the priority should be the improvement and stabilization of living standards through increase in their income.

According to my research on Heiveld Cooperative, (Ikegami, 2014) a producers' cooperative for Rooibos tea in South Africa, member farmers were highly satisfied with increased and stable income and improvement in living standards. Higher economic results allow the member farmers to avoid working at commercial farms with low wages and selling their Rooibos at low price. High satisfaction among members can be definitely regarded as the realization of the initial goal of Fair Trade.

Member farmers were deeply involved in the management activities at Heiveld, such as making a business plan or auditing. As, especially, aged females were frequently appointed as board members and auditors, they understood how to run the cooperative and realized the importance of cooperation. This system made aged females improve their capacity. This is very important in the context of gender equality and aging.

Indirect effects are often more important than direct ones because they may reflect broader aspects of the whole life. In the case of Heiveld, the most important effect is to diminish dependency and promote independence by means of many participatory researches and workshops that enhance the capacity of member farmers for wider knowledge management. That means Fair Trade can repudiate the "legacy of apartheid." Apartheid caused not only a dual economic structure but also dependency of black people. Fair Trade changed that situation dramatically and helped them judge and decide important matters on their own. Owing to this change, Heiveld has successfully entered the conventional organic market by selling products to a nationwide supermarket chain.

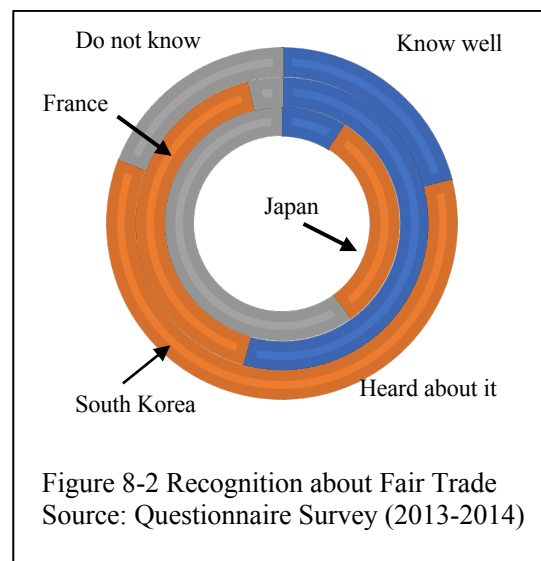
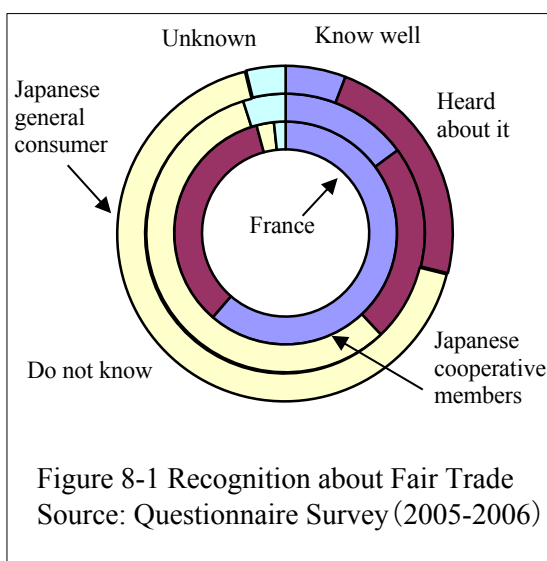
In addition, Heiveld utilizes local knowledge strategically. The local people know how to conserve the vegetation and are aware of the favorable conditions for growing wild Rooibos. That stems from the fact that they have been using the herb for therapeutic needs for a long time. Heiveld formed the Protocol for conserving wild Rooibos based on local knowledge and with the cooperation of the University of Cape Town, United Nations Environment Programme (UNEP), and NGOs. The protocol gives legitimacy selling products from wild Rooibos.

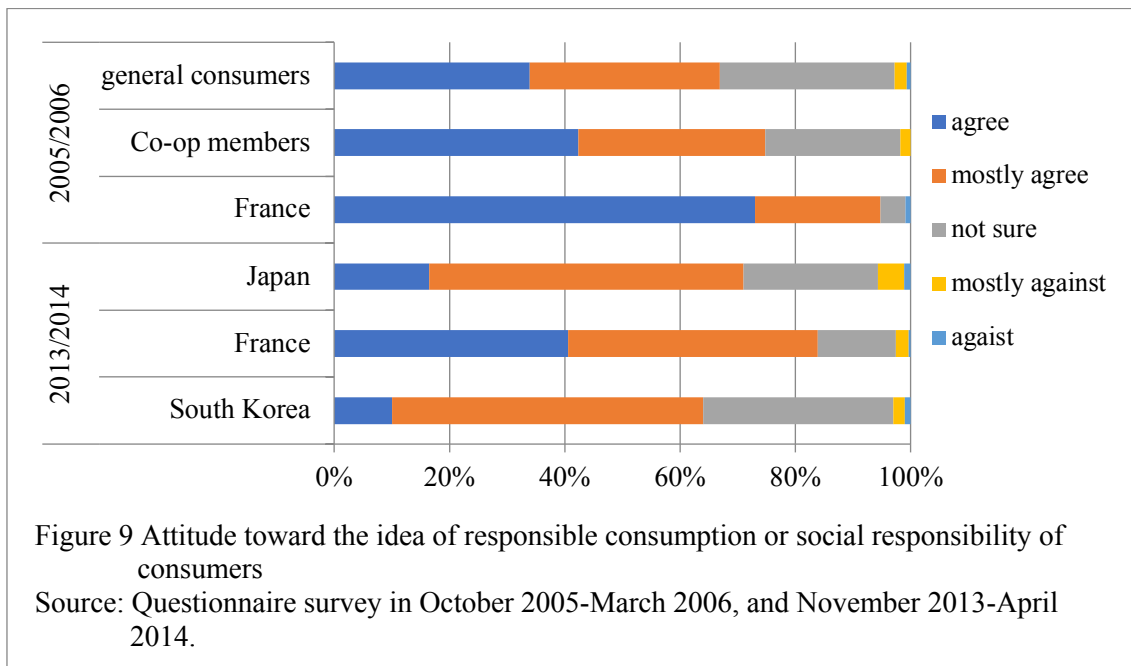
Independence is a crucial factor for further development, and the member farmers took cognizance of that fact. The tendency toward independence began in the context of internal governance in particular. In their discourses, the members frequently indicated the necessity of shaking off their dependence on NGOs. The discourses dealt with three aspects: “From survival to business,” self-confidence of governing, and the need for their community to make decisions independently regarding the distribution and use of Fair Trade premium.

4.4. Consumers’ Viewpoint

Fom the viewpoint of consumers and companies, Fair Trade has a direct impact at the individual and household levels. They may change their buying behavior and the standards of commodity selection. It also influences the school, church, and consumer organizations such as cooperatives. That may affect the distribution system in food and manufacturing companies, and so on. It may also propagate a sense of responsible consumption and buying among consumers.

Admittedly, these goals are not only very optimistic, but also difficult to achieve. Especially in Japan, the market size of Fair Trade commodities is very small, even though the growth rate is high. One reason is the Fair Trade lack of awareness about the Fair Trade movement. Figures 8-1 and 8-2 show the results of comparative surveys on consumer awareness about Fair Trade. The questionnaire-based surveys were conducted in Japan and France in 2005-06, and in Japan, South Korea, and France in 2013-14. In 2005-06, approximately a quarter of general Japanese consumers and more than half of cooperative members did not know of the term ‘Fair Trade’ (Figure 8-1). Their awareness improved slightly by 2013-14 (Figure 8-2), with only 20% saying that they did not know the word ‘Fair Trade.’ On the contrary, more than half of French consumers knew ‘Fair Trade’ well in 2005-06 (Figure 8-1), and that situation remained almost unchanged in 2013-14 (Figure 8-2).





Another reason for the small market size of Fair Trade could be a shallow awareness of the ideas of ‘responsible consumption’ and ‘social responsibility of consumer’ (SRC). Such ideas were not common. Figure 9 indicates the different answers to the question whether consumers agree with responsible consumption or the concept of SRC. General consumers and Co-op members in the upper column of 2005-06 were from Japan. Affirmative answers in support of SRC declined in 2013-14 in comparison with those in 2005-06 in both Japan and France. That decline may be related to the economic situation. Although agreement with SRC in France decreased from 73% in 2005-06 to 41% in 2013-14, it is much higher than in Japan. In 2013-14, only 17% chose to answer ‘Agree’ in Japan. In South Korea, awareness about SRC was the lowest. These results may show that East Asian countries have less tradition on responsibility.

Fair price of Fair Trade gives a basic condition for guarantee of reproduction of producer’s life, and pursuits economic justice, gender equality, internalization of hidden costs for environmental conservation, and so on. In this context, Fair Trade is a means to realize the idea of SRC. As shown in Figure 9, the idea of SRC is supported by few in Japan and accordingly ordinary consumers are likely to consider Fair Trade far away from their daily lives.

In the questionnaire survey in 2005-06, statistical analysis was carried out on the relationship between consumer’s purchase behavior and recognition about SRC using an ordered probit model (Ikegami and Uyama, 2008). Figure 10 shows the deciding factors for the idea of SRC. Four group factors are categorized as age, knowledge on Fair Trade, area, and purchase consciousness such as food safety, locality, and origin of farm products.

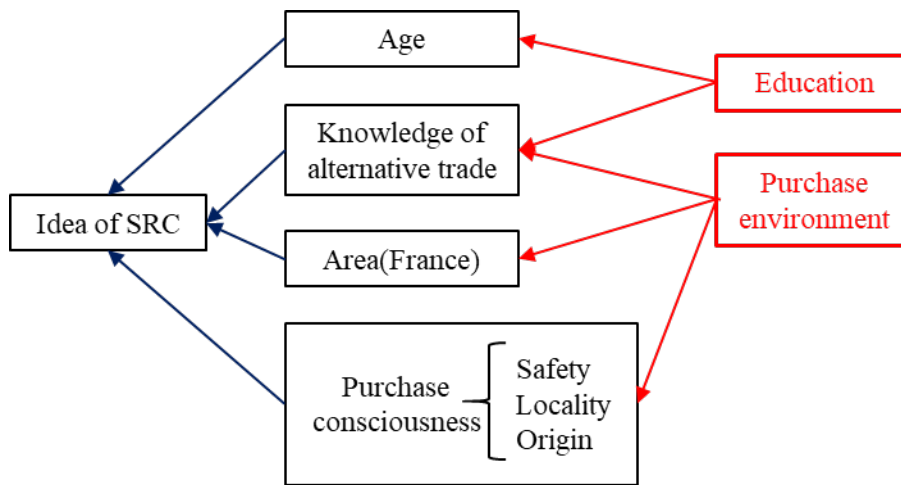


Figure 10 Deciding factors for the idea of SRC

Source: Ikegami, K. and Uyama, M., 2008

Statistically, purchase behaviors and the idea of SRC are independent. What influences the four group-dependent factors? A hypothesis is that the factors of education and purchase environment are crucial for the idea of SRC. Education influences variables such as age or knowledge of Fair Trade. The purchase environment influences variables such as knowledge of Fair Trade, area, or purchase consciousness. Consequently, it is necessary to pay attention to the factors of education, particularly from ethical viewpoints and purchase environment in order to pursue the potential of spreading the idea of SRC as well as Fair Trade.

5. Conclusion

Although the international community adopted several means to combat poverty, such efforts have not necessarily succeeded in alleviating poverty. On the contrary, poverty and wealth inequality have been increasing over the last two decades. The world has become divided with few wealthy people and the majority being poor. As globalization deepens, only a handful of UHNWIs accumulate the world's wealth. Conversely, marginalized people in the Global South still remain in extreme poverty, and they are unable to escape from the trap of poverty.

Accordingly, alternative perspectives are strongly required. Such perspectives should pay attention to low awareness of consumers on social responsibility in East Asia. This awareness can play an important role for realizing SDGs. Fair Trade may promote the sense of social responsibility, and, therefore, can help alleviate poverty and enhance rural sustainability.

However, the challenges are many for Fair Trade. Occasionally, producers involved in Fair Trade may increase their dependency on others. However, as shown in the case of Heiveld, actual partnership between farmers and supportive Fair Trade organizations is a crucial factor for attaining independence in the market economy. It is important not only to support marginalized people but also to change their mindset, especially in the context of deep dependency.

Another important prerequisite for the development of Fair Trade is a greater number of conscious consumers in both the Global North and the Global South. That would help expand the market size for Fair Trade commodities. Although the Fair Trade market is expanding steadily worldwide, it is not adequate to meet the demand from Fair Trade producers. Some OECD countries, such as Japan, have socioeconomic space for Fair Trade to be diffused nationwide. For the purpose of realizing its potential, it is necessary to show clearly the significance of Fair Trade and its impact on producers and communities.

Acknowledgements

The research for this paper was conducted under the support by the Grant Aid for Science by the Japan Society for the Promotion of Science (Project Number 26301020 and 17H04552).

Notes

- 1) Committee decides suitable indicators to judge the attainment of each target every year. The first version was decided in 2017, and some indicators were added in 2018.
- 2) Research meetings and conferences are continuously held on this topic at the ASEAN level. The author attended two such meetings.
- 3) According to the fifth edition of the World Ultra Wealth Report 2018 (Green, et al, 2018), the world's ultra high net worth (UHNW) individuals with \$ \$30m or more in net worth reached 226,450. Please note the definition is different from the second annual Global Wealth Report in 2011(those with \$50 million) and the 2018 Report of the World Ultra Wealth Repor

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