

**WAYS TO PROMOTE FAIR TRADE PRACTICE IN SOUTH KOREA  
: LESSONS LEARNED FROM THE FAIRTRADE TOWN INITIATIVE IN  
UNITED KINGDOM**

**By**

**Jin A Yang**

**THESIS**

Submitted to  
KDI School of Public Policy and Management  
in partial fulfillment of the requirements  
for the degree of

**MASTER OF PUBLIC POLICY**

2011

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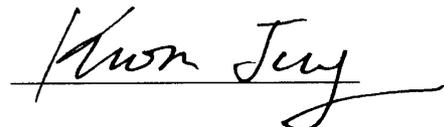
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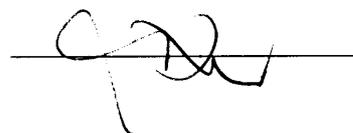
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## **ABSTRACT**

### **WAYS TO PROMOTE FAIR TRADE PRACTICE IN SOUTH KOREA : LESSONS LEARNED FROM THE FAIRTRADE TOWN INITIATIVE IN UNITED KINGDOM**

**By**

Jin A Yang

Fair Trade is defined by FINE (FLO, IFAT, NEWS!, EFTA) as a trading partnership based on dialogue, transparency, and respect that seeks greater equity in international trade. Essentially, it is an alternative approach to free trade. Recently, the Fair Trade movement has been gaining momentum in South Korea. The purpose of this thesis is to discuss the importance of Fair Trade practices and how they can be further promoted within South Korea. This discussion will focus especially on the history of the Fair Trade movement in the United Kingdom (hereafter UK), which has been a leader in its development.

Using both historical and analytical approaches, I will examine various factors that have contributed to the success of this movement in the UK, especially the leadership role of the Fairtrade Foundation and the foundation's promotion of 'Fairtrade Towns.' I will suggest that the system of Fairtrade Towns in the UK, essentially a Fairtrade certification body that officially recognizes areas for their commitment to the promotion of fair trade-certified goods, should be adopted as a strategy to advance the Fair Trade movement in South Korea. As of 2011, over 1,000 towns in 22 countries have been designated as Fairtrade Towns, and thousands of additional communities are currently working toward this designation. By comparing the Fair Trade movement in the UK and South Korea, this paper will clarify the potential benefits of introducing a similar Fairtrade Town initiative in South Korea. Although it is probably not feasible to begin a Fairtrade Town initiative in Korea immediately, this research will suggest ways of laying the groundwork through activities at the community and local government levels.

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## ABBREVIATION

ATO: Alternative Trade Organization  
BS: Beautiful Store  
EFTA: European Fair Trade Association  
EKF: Europe Korea Foundation  
EUCCK: European Union Chamber of Commerce  
FINE: FLO, IFAT, NEWS!, EFTA  
FLO: Fairtrade Labelling Organization  
FLOs: Fair Trade Organizations  
GATT: General Agreement on Tariff and Trade  
iCOOP: iCOOP Consumers' Co-operative in Korea  
IFAT: International Fair Trade Association  
KFTA: Korea Fair Trade Association  
KWEN: Korea Women's Environment Network  
NEWS!: Newtwork of European Worldshops  
NGO: Non Governmental Organization  
UNCTAD: United Nations Conference on Trade and Development  
WFTO: World Fair Trade Organization  
WTO: World Trade Organization

# I . INTRODUCTION

## 1.1. Background of the Study

According to a World Bank report (STWR 2008), nearly half the world—over three billion people—live on less than US\$2.5 a day. Global income inequality is probably greater than it has ever been in human history, sparking a growing concern for the world's poor among public and charity organizations. In the midst of all this, the trend towards sustainable consumption has attracted more attention to how products are produced. Consumers are increasingly concerned with not only the polluting or health effects of consumption of products, but also impacts which that consumption may have on the factors of production, including workers and resources (OECD 2008).

In modern South Korean culture, giving chocolate on Valentine's Day in February has become common practice. As in other countries, Valentine's Day has become a major marketing tool used by corporations to sell chocolates in South Korea. Yet, most consumers would likely be appalled if they knew that this symbol of love and caring had been produced through the use of child labor or other exploitive production methods. Nowadays, when purchasing products and services, people consider the effects of production processes on the environment and society, as well as the ethical standards of businesses. The Fair Trade movement attempts to counter harmful practices with a system aimed at helping producers in poor countries earn a fair price for their goods (Joongang Daily 2010).

Fair Trade organizers have been taking action to help producers in developing countries around the world for the last 60 years. It is estimated that five million people in Africa, Asia, and Latin America benefit from Fair Trade (Osterhaus et al. 2006). Thus, this movement promotes a different way for people to think about buying and consuming products. The terms 'Fair trade' and 'Fairtrade' are sometimes used in different contexts and demand some explanation. According to Traidcraft's<sup>1</sup>(2011) definition, "'Fairtrade' is an accreditation, labelling system which certifies that products bearing the Fairtrade Mark meet a range of specific criteria. 'Fair Trade' expresses a rather wider vision of development, covering a much wider range of products than can be certified, and embracing campaigning and awareness raising activity, as well as trading in food products.'" (Traidcraft 2011).

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<sup>1</sup> Traidcraft is the largest single Fair Trade organization in the UK.

The Fair Trade movement came to South Korea in early 2000. So Fair Trade is a relatively new concept to most people, it has been difficult to increase awareness of this general phenomenon in a short period of time. Many people also hold the prejudice that Fair Trade products are more expensive and of lower quality than conventional items. Indeed, some individuals consider Fair Trade to be a kind of charitable effort. This kind of prejudice has led to low sales since Fair Trade arrived in South Korea. The most important reason for the failure of Fair Trade was the absence of an integrated organization and the lack of participation by local community leaders and members. Indeed, civil society has been shown to be limited in its ability to promote Fair Trade in local communities.

According to the results of a survey conducted by the Beautiful Store in 2007, 86.6 % of adult men and women in South Korea do not understand Fair Trade or know about the Fairtrade Mark. This general lack of awareness has resulted in low sales of Fair Trade goods. According to Nicholls and Opal (2006), trade, if carried out in a fair and responsible manner, can be an efficient tool for promoting sustainable development and alleviating poverty. Fair Trade encourages ethical consumption by marketing products from developing countries that are made ethically, with minimal harm to or exploitation of humans, animals, and the natural environment.

So far, the increase in awareness and rising sales of Fair Trade products has been mainly centered on Europe and North America, with the UK constituting the largest national market for Fair Trade products in the world. The Fairtrade Town initiative is an innovative approach to the promotion of Fair Trade that has been quite successful in the UK. The Fairtrade Town initiative began in 2001 in Garstang, Lancashire under the guidance of Bruce Crowther<sup>2</sup>, a local Oxfam supporter. The Garstang Oxfam Group's campaign to promote Fairtrade certified goods in their town proved highly successful. Following this experience, the Fairtrade Foundation developed a set of Fairtrade Town goals and an action guide that would allow and encourage others to follow in the Town's success. Now, in order to achieve the status of 'Fairtrade Town,' a community must meet the following five criteria laid out by the Fairtrade Foundation:

- ① Local Council passes a resolution supporting Fairtrade, and agrees to serve Fairtrade products.
- ② A range of Fairtrade products are readily available in the area's retail outlets and served in local catering outlets.

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<sup>2</sup> Bruce Crowther is the founder of the Fairtrade Town movement.

- ③ Local workplaces and community organizations support Fairtrade and use Fairtrade products whenever possible.
- ④ Media coverage and events raise awareness and understanding of Fairtrade across the community.
- ⑤ A local Fairtrade steering group is convened to ensure the Fairtrade Town campaign continue to develop and gain new support.

The success of the Fairtrade Town is a good way of collaboration between government and community. Campaign has contributed to a 72% growth in the sales of Fairtrade-certified products in UK in 2007(Barrie Fair Trade Working Group 2009). With the Fair Trade movement in South Korea still in its early stages, the introduction of such a Fairtrade Town initiative in Korea could create similar benefits.

## **1.2. Purpose of Study**

Fair Trade is considered a way of alleviating poverty in the global south through the use of “trade, not aid.” Unlike aid, which is dependent on the continuing contributions of donors, Fair Trade offers a sustainable way for farmers, artisans, workers, and their families to improve their own livelihoods (Osterhaus et al. 2006). Fair Trade remains in its infancy in South Korea. Even though a number of Fair Trade Organizations (hereafter FTOs) have been promoting the ideals of Fair Trade through the media for several years, the Fair Trade philosophy has yet to create much of an impact on the market. In reality, these FTOs tend to engage in their own activities and campaigns separately, meaning that the movement as a whole has been able to attract little attention from the government and large corporations. Here, I will take a detailed look at the concept of Fair Trade, specifically focusing on ways of promoting the ideals of Fair Trade and furthering the use of Fair Trade practices in economically advanced societies.

The main question I look to address here can be summed up in this one: “Does Fair Trade really work for all?” This broad query can be divided into several more specific questions.

- If Fair Trade is good for sustainable development, why has the movement been slow to take root in South Korea?
- What has contributed to the success of the Fair Trade movement in the UK?
- Would a Fairtrade Town initiative be effective for promoting the movement in South Korea?

The UK currently has the most dynamic Fair Trade movement in the World: It accounted for 26 percent of £3.4 billion (US\$552billion) in global Fairtrade product sales in 2009 (Doane 2011). With 72% of the UK population (TNS September 2009) recognizing Fair Trade and believing that it benefits disadvantaged farmers and workers in developing countries, consumer awareness has undoubtedly played a large role in this success. Only 10 years ago, the idea of “ethical consumption” had barely cared about ethics public. Fairtrade products had little more than 1% of market share, with the exception of ground coffee at 15%. Consumer awareness of the Fairtrade mark was low, with fewer than 20 percent of the UK population knowing about it at the time (Doane 2011). The Fairtrade Town initiative, however, has since encouraged the participation by many different stakeholders and created a unifying theme for various fair trade activities and events. Fairtrade Towns create excitement about the movement by bringing together businesses, community- and faith-based organizations, and educational institutions throughout the UK to promote the benefits of Fair Trade. As evidence of its effectiveness, the Fairtrade Town phenomenon has grown beyond the UK to now consist of 1,000 Fairtrade Towns in 22 countries around the world (Fairtrade town 2011). Considering the success of this program elsewhere, it seems reasonable to suggest that a similar Fairtrade Town initiative be introduced in South Korea. The success of Fairtrade Towns in promoting the fair trade movement in the UK should be used as a model for more firmly establishing the Fair Trade movement in South Korea as well. The study described below will provide more specific suggestions as to how this might be done.

### **1.3. Scope and Methodology of Study**

In this paper, I will explain the Fair Trade movement and suggest the possibility of a Fairtrade Town initiative for South Korea. I will review research findings related to the impact of Fair Trade practices worldwide as well as specific policies and strategies in the UK. In 2008, I visited London to conduct research sponsored by the Hope Institute. At that time, my research interests focused on Fairtrade towns and the implications of this phenomenon for society. During this trip, I conducted in-depth interviews for Fair Trade Organizations. This approach yielded useful qualitative data. For the purposes of this thesis, I chose to focus primarily on the research literature published in journals and on information available at various Fair Trade Organizations (FTOs).

This thesis will consist of five chapters. The first chapter will deal with the historical background of the Fair Trade movement and the general benefits of Fair Trade. I will also explain the purpose and function of international Fair Trade organizations within the

movement. The second chapter will describe the current status of the Fair Trade movement in South Korea and introduce the major FTOs in South Korea as well as their functions and activities. The third chapter will focus specifically on the Fair Trade movement in the UK. I will discuss the Fairtrade Foundation, which is the most prominent organization promoting Fair Trade in the UK, examine the strategy of using Fairtrade Towns, and describe a specific Fairtrade Town in the UK, 'Square Mile.' Using the example of the UK, this chapter will also identify challenges and opportunities facing the Fair Trade movement in South Korea. Finally, the conclusion of this paper will tie together lessons from UK and recommendations for South Korea, using specific lessons drawn from the Fair Trade movement in the UK to suggest strategies for Fair Trade efforts in South Korea. Again, learning from concepts and strategies that have contributed to the rapid expansion of the Fair Trade movement in the UK, such as the Fairtrade Town, will be essential to building a successful Fair Trade movement in South Korea.

## II. Literature review

Problems in the market economy are the exploitations of small farmers, handicrafts or plantation workers by multinational business companies along the supply chain and the imbalance market-power between the trade partners in the international market place (Israel 2010). Based on these problems the chain of poverty in developing countries occurred along with development of the market economy was getting worse and have a strong relationship with basic global issues such as human rights, environment and labor. Therefore, Fair Trade is a way to move out of extreme poverty through creating market access under benefits rather than exploitative terms that has a chance to provide sustainable livelihoods to people in developing countries.

The term, 'Fair Trade' and 'Fairtrade' are sometimes used in different contexts and demands short distinctive explanations (Israel 2010). 'Fair Trade' expresses a rather wider vision of development, covering a much wider range of products than can be certified, and embracing campaigning and awareness raising activity, as well as trading in food products (Traidcraft 2011). 'Fairtrade' is an accreditation, product certification and labelling systems operated by Fairtrade Labelling Organization International (hereafter FLO) and Fairtrade products must meet a range of specific criteria by FLO. In this paper the term Fair Trade is usually used and thus, Fairtrade is only used in related with FLO activities. Before moving to the Fair Trade movement in South Korea, I will introduce the definition and core principles then indicate the history of the Fair Trade movement and its impact. Then I take a look at the previous studies and justification for its stance, and the international FTOs.

### 2.1. Definition and principles

Fair Trade has been defined several terms like Alternative Trade, Trade Justice, "make trade fair". "make poverty history", "made in dignity" etc. The term "Fair Trade" was first used by Michael Barratt Brown<sup>3</sup> in February 1985 at a Trade and Technology Conference held in London of cooperatives from the UK and from many Third World countries' (Osterhaus et al. 2006). During its long history there have been many different definitions of Fair Trade, but in an attempt to unite and use widely accepted the following definition was

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<sup>3</sup> Michael Barratt Brown, Founding Chair of FTO TWIN was established after that Conference and in 1998 organized a conference under the title of "Whatever happened to Fair Trade?"

agreed upon in December 2001 by FINE<sup>4</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 international trade.” This definition gives an indication of the key principles of Fair Trade which have commitment, transparency and accountability at their heart (Fair Trade Advocacy Office 2011). For reference, International Fair Trade Association changed the name to World Fair Trade Organization (hereafter WFTO). WFTO prescribes 10 standards that FTOs must follow in their day-to-day work and carries out continuous monitoring to ensure these principles are upheld (Equal exchange 2011).

Table 2.1- 10 Principles of Fair Trade by Word Fair Trade Organization

<b>10 Principles of Fair Trade</b>	
<b>① Creating opportunities for economically disadvantaged producers</b>	Fair Trade is a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers who have been economically disadvantaged or marginalized by the conventional trading system.
<b>② Transparency and accountability</b>	Fair Trade involves transparent management and commercial relations to deal fairly and respectfully with trading partners.
<b>③ Capacity building</b>	Fair Trade is a means to develop producers’ independence. Fair Trade relationships provide continuity, during which producers and their marketing organizations can improve their management skills and their access to new markets.
<b>④ Promoting Fair Trade</b>	Fair Trade Organizations raise awareness of Fair Trade and the possibility of greater justice in world trade. They provide their customers with information about the organization, the products, and in what conditions they are made. They use

<sup>4</sup> This definition was agreed on in December 2001 by the Fairtrade Labeling Organizations International (FLO), the Network of European Shops(NEWS!), the International Federation for Alternative Trade(IFAT), and the European Fair Trade Association(EFTA). When they work together, they are known by their acronym FINE.

honest advertising and marketing techniques and aim for the highest standards in product quality and packing.

⑤ **Payment of a fair price**

A fair price in the regional or local context is one that has been agreed through dialogue and participation. It covers not only the costs of production but enables production which is socially just and environmentally sound. It provides fair pay to the producers and takes into account the principle of equal pay for equal work by women and men. Fair Traders ensure prompt payment to their partners and, whenever possible, help producers with access to pre-harvest or pre-production financing.

⑥ **Gender Equity**

Fair Trade means that women's work is properly valued and rewarded. Women are always paid for their contribution to the production process and are empowered in their organizations.

⑦ **Working conditions**

Fair Trade means a safe and healthy working environment for producers. The participation of children (if any) does not adversely affect their well-being, security, educational requirements and need for play and conforms to the UN Convention on the Rights of the Child as well as the law and norms in the local context.

⑧ **Child Labor**

Fair Trade Organizations respect the UN Convention on the Rights of the Child, as well as local laws and social norms in order to ensure that the participation of children in production processes of fairly traded articles (if any) does not adversely affect their well-being, security, educational requirements and need for play. Organizations working directly with informally organized producers disclose the involvement of children in production.

⑨ **The environment**

Fair Trade actively encourages better environmental practices and the application of responsible methods of production.

⑩ **Trade Relations**

Fair Trade Organizations trade with concern for the social, economic and environmental well-being of marginalized small producers and do not maximize profit at their expense. They maintain long-term relationships based on solidarity,

trust and mutual respect that contribute to the promotion and growth of Fair Trade.  
An interest free pre payment of at least 50% is made if requested.

Above principles are parallel to UN conventions for instance, Universal Declaration of Human Rights says receiving fair wage in the 23<sup>rd</sup> article, human dignity, respect and freedom in the 25<sup>th</sup> article, participation for cultural life in community in the 27<sup>th</sup> article. Most of FTOs conform to the UN convention of the Rights of the Child and to national law on the employment of children.

## **2.2. Historical Background of Fair Trade**

Fair Trade is a movement initiated by Northern activists, philanthropic organizations that work with producers and disadvantaged communities of developing nations. It is striving to create awareness among Northern consumers about the inequality in international trade and to combat this problem using market-based strategies and through empowering the southern producers and workers (Murray and Raynolds 2007).

Historically, Fair Trade evolved out of a range of faith-based and secular Alternative Trading Organizations (hereafter ATOs) that can be traced back to relief efforts after World War II. It all started in the United States, where Ten Thousands Villages (formerly Self Help Crafts) began buying needlework from Puerto Rico in 1946, and Serrv began to trade with poor communities in the South in the late 1940s (WFTO 2011).

In 1950's the movement attracted ATOs and Oxfam UK started to sell crafts made by Chinese refugees in Oxfam Shops in the late 1950. In 1964 it created the first Fair Trade organization. Parallel initiatives were taking place in the Netherlands and in 1967 the importing organization, Fair Trade Original, was established (Kocken 2006).

During the 1960s and 1970s, Non-Governmental Organization (NGO) and socially motivated individuals in many countries in Asia and Africa, perceived the need for fair marketing organizations which would provide advice, assistance and support to disadvantaged producers (Kocken 2006). Many Southern FTOs were established and associations had relationship with the new organizations in the North. These relations were based on partnership, dialogue, transparency and respect and the goal was greater equity in international trade (Kocken 2006). In the 1960's the United Nations Conference on Trade and Development (UNCTAD) adapted the "Trade Not Aid" motto that was addressed in the

conference (Fridell 2007). This slogan gained the international recognition to establish Fair Trade relations between developed and developing countries.

In 1973, Fair Trade Original in the Netherlands, imported the first ‘fairly traded’ coffee from cooperative of small farmers in Guatemala (Kocken 2006). More than 38 years later, fair coffee is still the biggest commodity as a Fair Trade product. The world’s first Fairtrade Certification Mark, created the Max Havelaar label to identify a fairly traded coffee originated from the UCIRI cooperative in Mexico in 1988. This brilliant idea is the first labeling initiative. Soon other labeling initiatives followed the Max Havelaar initiatives under different names. For instance, a similar mark was referred to as the “Fair Trade Mark” (in the UK and Ireland) and “Transfair” (in Germany, Austria, Luxemburg, Switzerland, Denmark, Norway and France) (Nicholls and Opal 2008).



Figure 2.1: Max Havelaar logo & TransFair Fair Trade mark (USA)

In the ensuing years, Fair Trade Labelling has helped Fair Trade to go into mainstream business (WFTO 2011). In 1997, several labeling initiatives created an umbrella body, Fairtrade Labelling Organizations International (known as FLO). FLO now sets international Fairtrade standards that guarantee to producers not only a fair price for their agricultural and other goods, but also additional funds for community development, access to credit, and stable trading relationships. Environmental and labor standards have followed and producers are democratically organized (TransFair Canada 2009).



Figure 2.2: FLO Fairtrade Mark

As of 2011, there are 827 certified producer organizations in 58 developing countries in

Africa, Asia, the Caribbean and Latin America were certified by FLO (Fairtrade International 2011). FLO estimates that these organizations represent 1.5 million farmers and farm workers, and when counting their families and dependents, overall 7.5 million people benefit directly from Fair Trade (Liu 2009). The Fairtrade International certification system covers a growing range of products, including bananas, honey, oranges, cocoa, coffee, shortbread, cotton, dried and fresh fruits and vegetables, juices, nuts and oil seeds, quinoa, rice, spices, sugar, tea and wine (Fairtrade International 2011). Besides, it coordinates and harmonizes Fair Trade general standards for certification and facilitates methods of inspection after certification groups are in compliance with FLO's standards (Krier 2007). As of January 2011, there were over 1,000 companies certified Fairtrade and a further 1,000 so certified to other ethical and Fair Trade certification schemes became the global trend (Wikipedia 2011).

### **2. 3. Studies on Fair Trade**

Research on Fair Trade has proceeded in advanced countries such as Europe. By contrast, South Korea started the Fair Trade movement in the middle of 2000 so there has been little research compared to other countries. The classical free trade concept is based on Adam Smith's and David Ricardo's theories of comparative advantage, as Nicholls and Opal (2006, 17), says, "Countries export what they are relatively good at producing and they import what they cannot produce sufficiently". Besides, Murray and Raynolds (2007, 4) explained that neoliberal politicians use the concept of Fair Trade as an alternative term for free trade in order to give more emphasis to their argument for abolishing trade barriers, even though the latter gives less relevance to the social justice and environmental sustainability.

Since 1950, for example, the volume of world trade has increased by 20 times (Levin Institute 2011). Total trade in 2000 was 22times the level of 1950 (Ransom 2001). From the General Agreement on Tariff and Trade (GATT) to the World Trade Organization (WTO), these frameworks explained the theory of free trade. Under the standards of GATT and WTO which value trading freely, free trade is better than equity and fairness, and it has caused the big gap between advanced countries and developing countries in the free market system. Under the trade liberalization, did the global trade system function to work for everyone? Simultaneously global inequality has also grown – the share of the world's income distributed amongst the poorest 10 per cent fell by a quarter between 1988 and 1993 whilst the share going to the richest decile increased by 8 per cent (Dikhanov and Ward 2001). For example, the Philippine economy was severely affected by the collapse of the International Coffee Organization (ICO) marketing system in 1988 and subsequent decline of world coffee prices

which further highlighted the need to support small scale producers (ICLEI-Local Governments for Sustainability 2006). The international market price collapsed from around US \$1.30 per pound of green beans to below \$0.6014 (Ibid). In the name of free trade, the impact of coffee price fluctuation has exacerbated the chain of poverty. These problems aggravate unbalanced conditions between advanced and developing countries too. Despite the continuous effort by many countries in the world bipolarization is more noticeable with the recent recession worsening.

In essence the emergence of Fair Trade is the result of growing international trade that accentuates inequality and insecurity, and contrary to expectations, does nothing to meet development demands (Veronique Bisailon 2006). By the late 1990s the poorest 20 per cent of the global population generated only 1 per cent of the global Gross Domestic Product, whilst the richest 20 per cent generated 86 per cent (Young and Welford, 2002). Clearly, the benefits of increased free trade have not been evenly spread (Nicholls 2008).

WTO negotiations are based on the positive – sounding principles of non-discrimination and reciprocity, implying that every member has equal access to the markets of its trading partners (Osterhaus et al. 2006). So members can access to the market to all WTO members. To access markets, small scale producers often rely on middle man, who can collude to ensure that there is no competition for producers’ goods and thus no fair market price for them (Rice and Mclean 1999). However, this “one size fits all” approach does not reflect the existing differences between countries or regions with regards to levels of development, types of production or social, environmental and cultural traditions and priorities (Osterhaus et al. 2006). Despite the fact that free trade does not benefit all the trading partners proportionally, the advocates support the movement of goods, services and finance between nations as an effective business model (Israel 2010). While deepening interdependence of global trade brought economic growth, economic inequality had continuous effects toward other countries. Therefore, economic inequality is deepening the economic gap between developed and developing countries. The negative impact of free trade which benefits in an unfair way gave birth to the concept of Fair Trade.

Table 2.2: Free trade vs. Fair trade

	Free Trade	Fair Trade
Main goal	To increase nations’ economic growth	To empower marginalized people and improve the quality of their lives
Focuses on	Trade policies between nations	Commerce among individuals and

		business
Primarily benefits	Multinational corporations, powerful business interests	Vulnerable farmers, artisans and workers in less industrialized countries
Critics say	Punishing to marginalized people & the environment, scarifies long-term	Interferes with free market inefficient, too small scale for impact
Major actions	Countries lower tariffs, quotas, labor and environmental standards	Business offer producers favorable financing, long-term relationships, minimum prices and higher labor and environmental standards
Producer compensation determined by	Market and government policies	Living wage and community improvement costs
Supply chain	Includes many parties between producer and consumer	Includes fewer parties, more direct trade
Key advocate organization	World Trade Organization, World Bank, International Monetary Fund	Fairtrade Labelling Organization, World Fairtrade Organization

Source : Fair Trade Resource Network

While international trade agreements fail to deliver for the poor, the Fair Trade system has proved to be effective for poverty eradication and sustainable development (Schmidit 2005). So the Fair Trade model has shown that groups of artisans and small scale producers to organize into co-operatives and associations and has many advantages. Despite this, many small scale producers are still unorganized and they are still not enough demand for goods produced under Fair Trade standards. By correcting market failures to make the trading system work for everyone, Fair Trade is, in fact, a neo-liberalism solution to problems with trade (Nicholls 2008). Fair Trade works within an efficient capitalist system, rather than abandoning the liberal trade model entirely (Jones 2004). According to the 2006 World Bank study, Fair Trade seems to succeed in its aim: “in these respect at least, the role of Fair Trade is effective”(World Bank Policy Research 2006).

Cowen and Williams (2000) and Bird and Hughes (1997) both confirm that most consumers share various ethical concerns including Fair Trade, yet few translate their concerns into actual behavior (Chatzidakis et al, 2007). Bird and Hughes insisted that many consumers in Europe wanted to purchase ethical items and they suggested that Fair Trade is one of several patterns of ethical consumption. They said that Fair Trade ensures that benefits reach the marginalized and poor producer who does not participate in the international economy market under the imbalance of the information and negotiation by the new

liberalism paradigm (Bird and Hughes 1997). However Fair Trade is not the opposite meaning of free trade and protective trade. Practically, Fair Trade is a consumer-driven phenomenon based on the growth of 'ethical' consumption. Fair Trade has moved from being purely an activist –led advocacy and empowerment model towards being a market-led commercial success story (Nicholl and Opal 2006). Nowadays, Fair Trade is used to emphasize fairness in alternative trade, compared to unfairness in conventional trade.

#### **2.4. The impact of Fair Trade**

Fair Trade does not only benefit the producers it sources its products from, but also attempt to create alternative or at least different trading practices it has a wider impact on the free market in general. This means, Fair Trade influences not only the producers but consumers, other actors on the market like competing companies and political decision makers as well. In order to measure the impact, it is relevant to know the guiding principles. Measuring the social, economic and environmental impact of Fair Trade is very important and considering Fair Trade is not an end in itself but rather a means to achieve certain objectives (Nicholls 2008). The interesting outcome of most of these studies is that the impact of Fair Trade is not just limited to its economic benefits, meaning an increase in income through the fair price and the premium (Osterhaus et al. 2006). It is clear that the influence of Fair Trade has changed many producers' lives. The review of academic and literature found the impact of Fair Trade so I will divide into four parts as follows (1) economic impact, (2) social impact, (3) environment impact and (4) gender equity.

##### **(1) Economic Impact**

The most significant and immediate impact of Fair Trade the increase in income generating opportunities for marginalized workers. According to Imhoff and Lee (2007), the guaranteed floor price paid to producers through Fair Trade results in more stable incomes and is consequently one of the most important direct benefits. This unique minimum price reduces the effects of the volatility and fluctuation in commodity prices and as a result guarantees producer a stable income to cover the cost of production (Israel 2010). For example, whether or not it's organic, and the cleansing process, the minimum price for fair trade coffee (as \$1.01 to \$1.45 per pound depending on the type of coffee) is guaranteed. This minimum price applies to fair trade bananas, cocoa, tea, cotton, fruit, rice, and spices. Even for Fair Trade products that have not gotten the FLO certification, the fair price rule applies

although the standards are a little different. Also, Daniel Jaffee (2007) mentioned that participation in Fairtrade reduces households' debt and enhance their economic options. Furthermore, the extra capital from Fairtrade can generate important economic ripple effects within communities, providing additional employment for non participating families. Following figure 2.3 shows that a high proportion of the papers reviewed for this study mention higher returns and stable incomes as clear benefits enjoyed by Fair Trade producers (Nelson and Pound 2011). A number of authors provide evidence that Fairtrade producer enjoy greater access to credit than their non-Fairtrade counterparts to harvest expenses and other costs (Fairtrade Foundation 2009).

Namely, the Fair Trade system provides access to markets and offers important information about price development (Nicholls and Opal 2006). This kind of opportunity helps to build capacity and confidence to sell Fair Trade products also on the conventional market.

**Figure 2.3: Summary of the economic benefits of Fair Trade**

- Guaranteed minimum price leading to improved income
- Improved economic stability
- Improved access to credit, pre-financing and greater creditworthiness
- Enable transition to organic sources
- Access to lower interest rate
- Improvements to facilities and equipment (including being able to position themselves further up the value chain
- Income enables quality improvement
- Access to export markets
- Influence over conventional markets

Source: Nelson and Pound (2009)

## **(2) Social Impacts**

In the Fair Trade system, social and economic development is made possible through an additional payment producer cooperative receive called the Fair Trade Social premium. This premium is an additional sum of money under the Fair Trade minimum price, which is paid directly to producer groups by importers of Fair Trade Certified products for investment in economic and social development in their communities (Change.org 2011). It is important

that everyone benefits from this regardless of their participation in Fair Trade. For example, the Kuapa Kokoo cooperation farmers in Ghana have spent their Fair Trade social premiums on the building of clean water wells, mobile medical clinics and on the construction of several schools in their community(Ibid). The concept of social premium exists widely regardless of FLO certification and 10% of ‘Beautiful coffee’ profits goes to development projects in communities. Fairtrade coffee also adheres to fair price and pays \$0.10 of fair trade premium per pound of coffee bean.

Most of world shops contain diversified cultural products imported from different countries. Especially, the handicrafts, clothing and accessories were portrayed with the unique designs and embroideries of different cultures (Israel 2010). Fair Trade ensures that technical expertise and know-how are passes on to the next generation in indigenous culture (Osterhaus et al. 2006). Strict observance of ILO regulations remains as basic rules of the Fair Trade campaign and demonstrate in many cases that they all impact the society positively. Important elements are capacity building and technical assistance and training in improving the quality of products or introducing new or more efficient techniques(ICLEI-Local Government for Sustainability 2006). The interventions on product development and seminars on business planning are the most tangible contributions. Improved self-esteem and better relations within the organization helped the local communities deal with other social economic issues and pursue their aspirations (Ibid).

Figure 2.4: Summary of the social benefits of Fair Trade

- Social premium can build school, public well, health center etc.
- Preserve the traditional culture and skills
- Capacity building and technical assistance
- Improve the self esteem and better relationship
- Fair Trade organizations have increased their voice

Source: Nelson and Pound (2009)

### **(3) Environment Impact**

Fairtrade’s ambition to protect the natural environment and make environmentally sustainable farming practices a part of farm management. Good environmental practices were commonly found to be being practiced according the majority of studies (Nelson and Pound 2009). Generally, Fair Trade farmers, artisans and workers are encouraged to engage in sustainable methods of production. Because ecological integrity is given importance as a Fair

Trade principle, environmental aspects are addressed in the supply chain (ICLEI-Local Government for Sustainability 2006). The box below explains the environmental inputs of FLO Fairtrade, which should theoretically lead to positive environmental impacts.

Figure 2.5 : Environment focus by FLO

- Fairtrade requires minimized and safe use of agrochemicals
- Proper and safe management of waste
- Maintenance of soil fertility and water resources
- Prohibits use of genetically modified organism
- Requires organizations to assess their environmental impact and develop plans to mitigate it.

Source : Nelson and Pound (2009)

One point worth making note of is the fact that many farmers have turned into producing organic products as they started to participate in Fair Trade. This is a better price and increases quantity and improves efficiency which results in a greater profit. The Fairtrade Foundation in UK introduced the case like “ in Guatemala non-Fairtrade coffee farmers are almost twice as likely as Fairtrade coffee producers to use agrochemicals and Mexican Fairtrade coffee production is now almost synonymous with organic production, leading to clear environmental benefits including reduced chemical usage, increased biodiversity and soil fertility. Indeed in many cases it was noted that Fair Trade helped in the transition to organic production partly because the costs of conversion are shared across the producer organization”. Some reviews report that Fair Trade environmental conditions are either too stringent (Utting-chamorro 2005), or in some case locally inappropriate (Nelson and Pound 2009). To respect the sustainable method in Fair Trade need to get a support by local government and NOGs.

#### **(4) Gender Equity**

Fair Trade has an effect on gender equity around the world by providing opportunity for women who are often among the most disadvantaged producers. Fair trade assists in providing opportunities to those women to help themselves by using skills that they have, and ensuring that they are being compensated fairly (Ten Thousand Village 2011). Specially, many women in the developing countries suffer from impoverishment and limited right. Women typically lack the resources required to make economic growth advantageous to them. For example, women do not possess land or capital which is needed to participate in global

trade (Hutchens 2010). Fair trade should make gender equity a priority and adapt practices to better achieve this goal in communities participating in Fair-trade. Within the Fair Trade concept lies the potential for a strong commitment to gender equity and women empowerment (UWOSH 2011).

FLO findings indicated in Tables 2.3 and 2.4 (in the period between 2007 and early 2009), in small producer organizations women represented less than 25% of all members. Only 61% of the data was acquired to assess the gender issues in Small producer organization (FLO, 2007a). In hired Labour Organizations, women are accounted for 41% of the work force. Generally, in both organizations women participation is limited to certain types of products (Ibid.)

Table 2.3: Number and percentage of male and female members and workers

	Number of workers	Data completion	Extrapolated to 100%	Percentage of workers
Female	83370	61% of the population	166000	24%
Male	260030		525000	76%
Total	343400		692065	100%

Source : FLO (2007a)

Table 2.4: Number and percentage of male and female members and workers

	Number of workers	Data completion	Percentage of workers
Female	39395	99% of the population	41%
Male	56599		59%
Total	95994		100%

Source : FLO (2007a)

Although the percentage of female involved in Fair Trade activities are relatively less than that of male, several Fair Trade handcraft projects focus on female producers and they are also a direct income beneficiaries (Israel 2010). As a result, female those who earn enough income and has an equal opportunity could be a strong tool to promote gender equality. It is also a job that can be done at home so it is important for poor women who cannot work outside the home because of their children. This is related with women's social and political rights at home and in the community. Fairtrade Korea (Co)'s partnership with Asian women producers in countries like Nepal, India, and Laos leads to methods to promote women's rights.

**Figure 2.6: Gender Equity**

- Improved producer self-confidence
- Improved the market and export knowledge
- Improved women's right and empowerment
- Improved the social and political power within a society

Source : Nelson and Pound (2009)

## **2.5. International Fair Trade Organizations**

The rapid growth of the Fair Trade movement contributed to establishment of the national and international, independent and non-profit organizations in the world. These international organizations are involved in certification processes, monitoring and promoting the operations of Fair Trade producer organizations, traders and other similar partners (Israel 2010). I will introduce major international Fair Trade organizations such as (1) World Fair Trade Organization, (2) Fairtrade Labelling Organization International, (3) Network of European World Shops and (4) European Fair Trade Associations.

### **(1) World Fair Trade Organization**

The World Fair Trade Organization (WFTO), formerly the International Fair Trade Association (IFAT) was established in 1989 and it is the global network of 324 Fair Trade Organizations, with members in almost 70 countries. The members are producers, exporters, importers and retailers of both FLO-certified products and non-certified goods which all believe that trade should improve the lives of marginalized people without harming the planet (Osterhaus et al. 2006). Membership is open to both trading and non-trading organizations that satisfy the basic Fair Trade criteria, and current members span all continents. Similar to FLO, WFTO are required to pay memberships fee and to be transparent (Israel 2010). Application begins with a self-assessment process that must include existing WFTO members as referees. Once accepted into WFTO, members are liable to be externally audited on an ad hoc basis and there is a fee for membership. In 2004 WFTO launched the FTOs mark which identifies registered Fair Trade Organization worldwide (Global traders 2011). This mark does not aim to compete with FLO certification, because it is specifically not a product mark (Mountholyoke 2011). WFTO uses its established monitoring system to identify if an applicant can be awarded the FTO mark. Once a WFTO member has successfully met the requirements of the WFTO standards and monitoring system they become registered members (Equal exchange 2011).



Figure 2.7: WFTO Mark

## **(2) Fairtrade Labelling Organizations International**

Fairtrade Labelling Organizations International (FLO) was established in 1997 and is the organization that coordinates Fairtrade labeling at the global level and the specialized Fairtrade Standard-setting. FLO comprises two organizations the multi stakeholder FLO e.v which develops and reviews standards and provides producer support, and FLO Certification GmbH which ensure that those standards are met (Osterhaus et al. 2006). The important part of FLO's role is to develop and review the Fairtrade standards for certification. These standards apply to all Fairtrade producers. They also apply to the companies who market Fairtrade products, such as importers, exporters and licensees (Larrge 2011). FLO also provides the umbrella association for 21 national Labeling Initiative across 15 European countries, Japan and the USA, Canada, Australia, New Zealand and Mexico, Australia and New Zealand (Schmidt 2006). FLO inspects produce groups to certify them for compliance with Fair Trade standards, including democratic organization, financial transparency, adequate working conditions, and process regarding social and community development goals. FLO and its members then license companies to use FLO's Fair Trade mark to signify that for a given product the Fair Trade standards, including minimum pricing, credit provision, and long term trade relationships, have been met (Nicholls and Opal 2006).

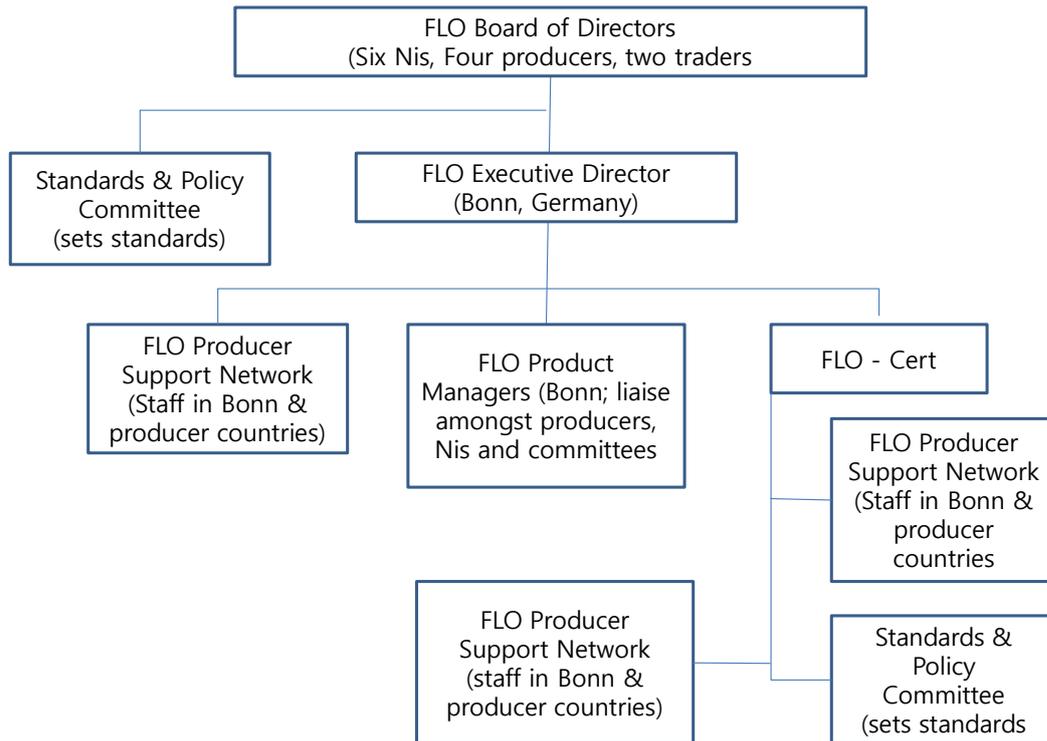


Figure 2.8: FLO governance structure

Source : Nicholls and opal (2006)

### (3) The Network of European World Shops (NEWS)

The Network of European World Shops (NEWS) was established in 1994 and coordinates the cooperation between Worldshops in Europ. The NEWS aims to promote Fair Trade by simulating supporting and linking world shops in Europe that retail Fair Trade products (Nicholls and Opal 2006). NEWS! is the umbrella network of 15 national World shop associations representing 2,500 shops in 13countries in Europe. Between them they have a membership of 2,500 World Shops, run by more than 100,000 volunteers and more than hundred staff<sup>5</sup>, selling fairly traded products and campaigns for trade justice (Osterhaus et al. 2006). Worldshops sell Fair Trade products and organize various educational exhibits, programs and campaigns to promote fiarer trade practices (Wikipedia 2011). NEWS has several activities such as the publication of a biannual “NEWS!” letter” the organization of a biennial European Conference and an annual European World Shop’s Day.

<sup>5</sup> This number is equivalent to full time positions but most staff in worldshops is part time. Krier, Jean-Marie: Fair Trade in Europe 2005.

#### **(4) The European Fair Trade Association**

The European Fair Trade Association (EFTA) was established in 1990 and is an advocacy and research body located in the Netherlands (Head office) and Belgium (Advocacy Office). The aim of EFTA is to support its member organizations in their work and to encourage them to cooperate and coordinate. It facilitates the exchange of information and networking, it creates conditions for labour division and it identifies and develops joint projects (EFTA 2011). EFTA is a network of eleven Fair Trade organizations in nine European countries: Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Switzerland and the UK. Members include Oxfam, Traidcraft, and Gepa. EFTA publishes EFTA yearbook and Fair Trade figures and analysis for Europe and a twice – yearly (Nicholls and Opal 2006).

Table 2.5: Summary of the International Fair Trade Organizations

Agency		Characteristics
<b>A</b>	WFTO (World Fair Trade Organization)	<ul style="list-style-type: none"> <li>- Established in 1989,</li> <li>- Type of members : Alternative trading (19 members in 21 countries : Europe, North America, Asia, Africa, Latin A. America)</li> <li>- Objectives :               <ol style="list-style-type: none"> <li>1)To develop the market for Fair Trade</li> <li>2)To build trust in Fair Trade</li> <li>3)To speak out for Fair Trade</li> <li>4) To empower the regions</li> </ol> </li> <li>- Website : <a href="http://www.ifat.org">http://www.ifat.org</a></li> </ul>
<b>B</b>	FLO(Fairtrade Labeling Organization)	<ul style="list-style-type: none"> <li>- Established in 1997</li> <li>- Type of members : National labeling (280 members in 62 countries : Europe, North America )</li> <li>- Objectives :               <ol style="list-style-type: none"> <li>1) To guarantee the integrity of the Fair Trade Mark and certification process</li> <li>2) To facilitate the business of Fair Trade by helping to match supply and demand</li> <li>3) To offer producer support and consultancy to improve their business strategies</li> </ol> </li> <li>-Website : <a href="http://www.fairtrade.net">http://www.fairtrade.net</a></li> </ul>
<b>C</b>	Network of European World Shop	<ul style="list-style-type: none"> <li>- Established in 1994</li> <li>- Type of members : National world shops (2500 members in 13 countries, Europe)</li> <li>-Objectives :               <ol style="list-style-type: none"> <li>1) To promote Fair Trade in Europe</li> <li>2) To enhance the network</li> </ol> </li> <li>-Website : <a href="http://www.worldshops.org">http://www.worldshops.org</a></li> </ul>
<b>D</b>	European Fairtrade Association	<ul style="list-style-type: none"> <li>- Established in 1987</li> <li>-Type of members : Alternative trading (11members , In 9 countries, Europe)               <ol style="list-style-type: none"> <li>1)To make Fair Trade importing more efficient and effective.</li> <li>2) To promote Fair Trade to commercial and political decision-maker.</li> </ol> </li> <li>-Website : <a href="http://www.eftafairtrade.org">http://www.eftafairtrade.org</a></li> </ul>

### III. Fair Trade Movement in South Korea

Fair Trade movement has become a new social trend in South Korea and raising issues with ethical purchasing are increasingly turning people’s eyes to Fair Trade. The concept of Fair Trade in South Korea has been known by several terms like People to People trade, Hope trade, Alternative trade. Unlike UK, most of Fair Trade products in South Korea are independent certified Fair Trade and so bares the internationally recognized Fairtrade logo. Consequently, sales of Fartrade certified FLO products are low sales.

Currently, Fair Trade sales volume in Korea soared by 40.7% in 2010 to an estimated retail value about US\$ 77million (76 billion KRW) compared with US\$55million (54 billion KRW) in 2009.

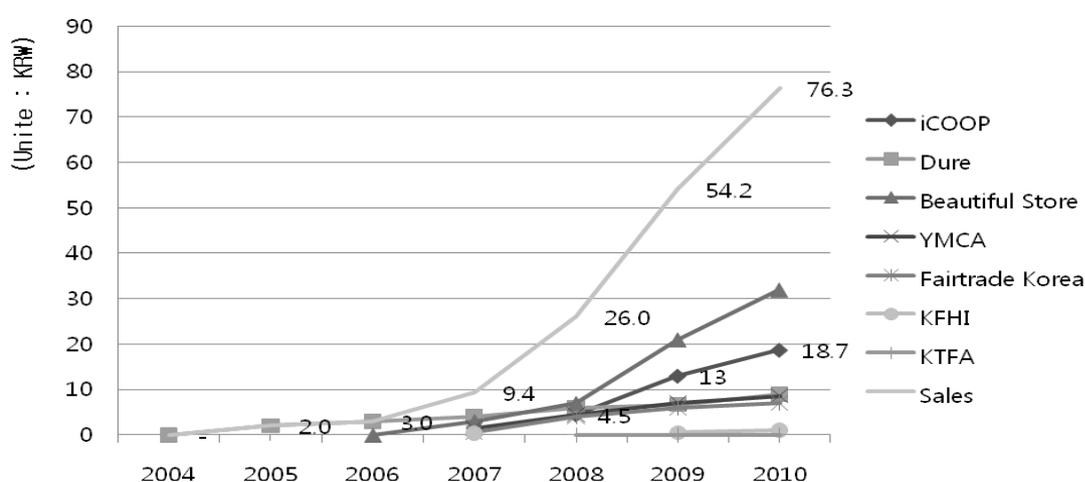


Figure 3.1: Sales of Fair Trade in South Korea

This total is represented by ATO and FLO combined. This following table3.1 illustrated that it’s not included imported certified Fairtrade FLO products amounting US\$300 million (3billion KRW).

Table 3.1: Sale on Fair Trade in South Korea

	2009	2010
ATOs	\$5.4million (5.4 billion KRW)	\$7.6 million(7.6 billion KRW)
FLO	\$2.68million (2.68 billion KRW)	\$3million (3billion KRW)
Total	\$8.07 million (80.7 billion KRW)	\$10.6 million (10.6 billion KRW)

Source : iCOOP, achievement and Challenges in Fair Trade for five years

Unlike the UK, (over 4,000 products from coffee to flowers are Fairtrade certified), South Korea has a few kinds of Fair Trade products. Among the products, the movement came to the form of coffee and chocolate mainly. In reality, FTOs in South Korea tend to

engage in their own activities and campaigns separately, meaning that the movement as a whole has been able to attract little attention from the government and large corporations. So it is difficult to organize nationwide campaigns like ‘Fairtrade Fortnight’ or ‘Fairtrade Town’ in UK. Therefore, I will present current status of Fair Trade and background of Fair Trade in South Korea. Then continue to sketch what is the barrier for vitalizing Fair Trade movement in South Korea.

### **3.1. History of Fair Trade in South Korea**

Fair Trade movement in South Korea has been activated since the middle of 2000. It has only recently been gaining ground monument. Furthermore, the Fair Trade movement has also been influenced partly by the evolution of ‘Good Buying’ like an ethical consumption since the late 1980s. South Koreans have become more concerned about the way in which the commodities they buy are produced and whether they are environment-friendly. This increasing demand for environmentally-friendly products has been incorporated into the Fair trade movement which is concerned with both the producers' conditions and the environment (ICLE-Local Government for Sustainability 2006).

In 2003, Beautiful Store started selling handicrafts, agricultural products from developing countries. This was the first introduction of the Fair Trade products in public. Dure Cooperative began selling imported sugar from Philippines and olive oil from Palestine in 2004. Later, Dure Cooperative launched the Fair Trade company, APnet. In 2004, Xanana Gusmao <sup>6</sup>(a former President of East Timor) requested the community development project to YMCA Korea. To implement community development project made a team, YMCA Japan and Asia Pacific alliance of YMCA. They have done a research for possibility of the Fair Trade in the East Timor. The Beautiful Store started selling an organic coffee called "Gift of the Himalayas" from Nepal and customer response has been positive. Korea Women’s Environment Network (KWEN) also joined the Fair Trade movement and KWEN organized a preparatory committee in 2005. KWEN has launched the Fair Trade Korea (Co.), citizen corporation also started the importing clothes, spices, etc from developing countries in 2007. In the same year, Korea Fair Trade Association (KFTA) made the documentary “Beautiful Trade” which is about Fair Trade, it broadcasted the film through public television. And Ullim which is a retail shop of KFTA began to import certified Fairtrade soccer balls from Pakistan. Fair Trade Conference, “Fair Trade for All International” was organized by

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<sup>6</sup> Xanana Gusmao is a former militant who was the first President of East Timor from May 2002 to May 2007.

Beautiful Store in 2008.

In 2008, “Ethical Chocolate Campaign” hosted by KFTA made a big accomplishment and it was successful to draw public’s interests in Fair Trade by a media such as Hangyoreh 21(weekly magazine) and Yes24 (online bookstore). And most of FTOs also joined the worldwide event called ‘World Fair Trade Day’. World Fair Trade Day is celebrated every second Saturday of May and it held every year to generate more awareness about fair trade around the world. Through this event, many consumers consciously decided to help developing economies by buying Fair Trade goods and people could celebrate World Fair Trade Day 2009. In Seoul, people can celebrate World Fair Trade Day at the Fairtrade Coffee village project by KFTA in Samcheong-dong and Buk-chon, Northern Seoul and Korean Fair Trade Festival, Deoksu palace, downtown in Seoul (Koreatimes 2009). This Korean Fair Trade Festival organized the one day event and prepared by six non-government organization, namely The Beautiful Store, Korean Women’s Environmental Network, Fair Trade Korea, YMCA Korea, AP-Net and iCOOP(Korean Solidarity of Consumer Cooperatives).

### **3.2. Major Fair Trade Organizations in South Korea**

There are organizations taking an active part for promoting Fair Trade such as Fairtrade Korea (co.), Beautiful Store, iCOOP Korea, APNet, YMCA Korea and Korea Fair Trade Association (KFTA). Major FTOs in South Korea divided into two forms of characteristics. Firstly, KFTA sells the FLO certified items like the UK and try to promote the Fairtrade Mark. Secondly, some of FTOs import or manufacture from the area of production directly. These products use an independently certified Fair Trade brand. To understand the situation in Korea, we need to take a look at the five major FTOs : (1) Korea Fair Trade Association, (2) Beautiful Store, (3)YMCA-Korea-Peace Coffee, (4) Fairtrade Korea (Co.) and (5)iCOOP.

#### **(1) Korea Fair Trade Association**

Korea Fair Trade Association (KFTA) was established in 2006. It began with the production of the documentary “Beautiful Trade”, which is about Fair trade I (KFTA 2008). In the film, there is a story about a young Ghanaian boy who climbs up a two-meter-tall cacao tree, risking his life to harvest crops that would only pay home a couple of cents a day. The story evoked both the sympathy and wrath of the public, who were outraged at both the treatment of the boy and the gravity of his situation (Joongang Daily 2011). Also, KFTA is facilitates networking by providing information (Newsletter, website, workshops etc) and organizing campaigns “Ethical chocolate”. KFTA opened an Ullim retail shop to deal with

the trading work. So Ullim was the first introducer the FLO product from other countries such as soccer balls (Pakistan), chocolate (Switzerland), sugar (Paraguay) etc. KFTA is strengthening the solidarity with Fair Trade associations globally through exchanges and attending meetings such as the IFAT World Conference in Belgium, 2007 and the 1<sup>st</sup> European Fairtrade Fair in France, 2008 (KFTA 2008). It has published several Fair Trade books (Korean version of 'Business Unusual', Korean version of air Trade – Market driven ethical consumption', Fair Trade – To change the world with beautiful trade).

## **(2) Beautiful Store**

In 2003, The Beautiful Store (BS) was the first organization selling Fair Trade products within South Korea. Originally, this organization was independent from the Beautiful Foundation which is a non-profit public interest foundation based on community. BS has cultivated a culture of recycling and donating in South Korea. Since the first BS opened in October 2001 and the business has experienced rapid growth. The company has grown to more than 90 stores, mobile beautiful stores, weekly flea markets and Fair Trade activities through Korea. It provides employment to 56 disadvantaged persons. The charity has also had a significant impact within the community and annually attracts more than 4,000 volunteers who help sort and collect items. The store receives upwards of 800 million units of donations and generates greater than US\$7 million (KRW 8.61 billion) in sales annually (Avantage Ventures 2011).

Through this network and human resources are actively involved raising awareness and selling Fair Trade products. However the initial stage of BS had not attracted Korean customers who were not much interested in handicrafts and agricultural products. With this first failure as a lesson, cooperation with the Neapali Bazarro was able to import green coffee beans from Nepal and sell coffee called 'Gift of Himalaya' in 2006. Two years later, to supplement a single item of coffee, cooperation with Twintrading Ltd which is an alternative company in UK was able to import green bean coffee from Peru then released the 'Mounting blend' and 'Gift of Andes'. With this process, BS also began to sell imported Fair Trade tea, tea-bag products from Nepal. Nowadays, Beautiful Coffee from Nepal and Peru is available at all BS shops including Homeplus, a big supermarket in South Korea. Now, BS coffee has a good position on the market as a Fair Trade coffee due to their public image.

In 2010, BS's chocolate sales were also successful that the company decided to start selling the product through Family Mart, which has convenience stores throughout the nation. Even though BS didn't certified the Fairtrade Mark, BS guarantees the minimum price of

\$4.51 per kg for its ‘beautiful coffee’ which is slightly higher than the standard for fair trade coffee.

### **(3)YMCA – Peace Coffee**

YMCA Korea was established in 1903. It has been dealing with many domestic issues such as civil movement for participation and self-governance of the civil society, movement for political reform, environmental programs, consumers’ rights movement, movement to overcome the Economic crisis etc. In 2004, Xanana Gusmao (former President of East Timor) requested the community development project to YMCA Korea. YMCA Japan and Asia Pacific alliance of YMCA, joint team made researches on possibility of the Fair Trade project in the East Timor. Even though YMCA Korea didn’t have a local office, they were closely working with small scale producers. YMCA Korea started a direct purchase system with farmers in East Timor, buying green coffee beans for a higher price so they could receive a fair wage. After coffee processing, YMCA Korea could sell coffee to Korean consumers. In 2005, the first brand of coffee was “A cup of coffee, A cup of peace”. Then coffee project began in earnest in East Timor. Following year, “A cup of coffee, A cup of peace” decided to change the coffee brand at “Peace Coffee”. It also did not certified FLO mark like a BS coffee. In recent years, this coffee started to sell at E-mart which the biggest retailer in South Korea and Olive Young which is a cosmetic store with various items from health supplements to supplements, cosmetics and cosmetic accessories cross the nation. Moreover, they operated the several cafes within Seoul.

To promote Fair Trade campaign made an agreement with various civic organizations such as the National Association of Labor Unions, and the profits from the sale of the coffee go to East Timor for sustainable community development, such as creating a community self-help association. When YMCA Korea has an earned surplus (as social premium) after selling Fair Trade coffee, they supported building production facility and building filtration plant for community resident. YMCA Korea has expanded six Timor Cafés in Seoul sponsored by SK corporation. Unusually, Peace Coffee gets a patent from the Korean Intellectual Property Office.

### **(4) Fairtrade Korea(Co.)**

Korea Women’s Environment Network (KWEM) considered the Fair Trade project to help poor women in developing countries so KWEM organized a preparatory committee in

2005. This committee has been a field research to Thailand, Nepal, Vietnam and Japan. Then they decided to import Fair Trade products(clothes, home deco, spices etc) in the name of 'Hope trade'. These products are produced by Neapli Bazaro<sup>7</sup>. KWEN has launched the Fair Trade company, Fairtrade Korea (Co.). Fairtrade Korea (Co.) was established in 2007 and is a citizen cooperation found to dedicate to solve the global poverty problem by fairly trading natural clothing and consumer goods produced by women from undeveloped Asian countries. In the beginning stage of Fairtrade Korea(Co.) has received the assistance and advice from Neapli Bazaro. It was very effective way to settle down the company. This company could import Fair Trade products by itself and this company has launched the first Fair Ttrade fashion brand 'Gru' and imported organic cotton fabrics and clothes from India. Specially, Gru's clothing were made of organic cotton in India but design was done by Fairtrade Korea in Seoul. When company received complete product from India, they has put on 'Gru' tag.

For the first time, Fair Trade fashion show was held in Seoul during World Fair Trade day in 2008. Currently, Fairtrade Korea (Co.) is specialized in Fair Trade fashion and it deals with various items (organic clothing, foods, accessories, etc) and run the online shopping mall. In 2010, TV promotion was very successful and they could sell Fair Trade products through TV homeshopping channel.

##### **(5) iCOOP**

iCOOP Consumers' Co-operative Group in Korea (hereafter 'iCOOP') was established in 1997. Its mission is to spread the spirit of co-operation as a Consumers' Co-op through Solidarity and Co-operation of small scaled Co-ops located in each local province in Korea. At that time, there was no legal ground on the Consumers' Co-operatives (hereafter 'Co-ops') and very little known to public in Korea (The Coop Learning Center 2011). iCOOP started its business with simply 682 members and US\$ 1.5 million of sales volume in the first year of establishment. But iCOOP has continuously increased its members and sales volume to 42,000 members and US\$ 94.2 billion as of 2007 and this achievement has been completed in a very short time of 10 years (Ibid). iCOOP Korea focuses on Fair Trade and environmentally friendly products, it has launched a new Fair Trade chocolate bar under their brand, Natural Dream (Joongang daily 2011). With a stable distribution channel, iCOOP deals in chocolate,

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<sup>7</sup> NEPALI BAZARO was established in 1992. At first, it started as a NGO for education support of poor children. This NGO changed its activity towards FAIR TRADE a little by a little. This NGO aimed to import handicraft goods and some beverage foods from Nepal since then. Now Nepali Bazaro became a famous social enterprise in Japan.

sugar, olive oil and among these products, Mascobado sugar (from Philippines) is a FLO certified sugar producers. At the moment, iCOOP has been worked with Panay Fair Trade Center in Philippines. Based on the Fair Trade experience from 2005 to 2010, iCOOP held a workshop for “Achievement and challenges in Fair Trade in Korea for five years” in 2011.

Table 4.1: Major Fair Trade Organizations in Korea

Organization	Classify the Fair Trade products	Year	Retail Outlet
KFTA	Chocolate, coffee (FLO, organic), FLO Sugar(Paraguay), FLO Soccer Ball (Pakistan)	2007	Online, Outlet shop, Hundai Department store
YMCA KOREA	Coffee bean from East Timor	2005	Outlet (Olive Young, Emart), Café Timore
Beautiful Store	Organic coffee bean and coffee - Gift of the Himalayas" from Nepal, Black tea from Nepal, Organic coffee bean and coffee - Gift of Andes from Peru, Chocolate	2007	Beautiful Store in all cities, Big relater (Homeplus)
Fairtrade Korea Ltd.	Cotton fabric, clothes, foods, accessories (buying raw material and manufacturing from India, Design and putting Gru tag in Korea)	2007	‘Outlet ‘Gru’ Shop
iCOOP Cooperative	Sugar (Philippines), Chocolate bar – Natural Dream, Coffee, Olive oil	2008	Coop network shop

### 3.3. Barriers to Fair Trade in South Korea

Even though a number of FTOs have been promoting the ideals of Fair Trade through the media for several years, the Fair Trade philosophy has yet to create much of an impact on the market. Moreover most of FTOs in South Korea follow their own philosophy and sell Fair Trade products with moral standards which establish it voluntarily. Recently, online shopping malls related with Fair Trade increased rather than before. However the lack of participation in Fair Trade is a fundamental problem. Low awareness of Fair Trade was caused by low sales. To promote Fair Trade in Korea should overcome the following problems.

#### (1) The basic problem is low awareness

Most Korean customers did not recognize the Fair Trade due to a lack of public relations and public education. I also didn’t learn about Fair Trade until a few years ago, actually, I studied by myself through books. In 2007, the Beautiful Store did a survey on Fair Trade awareness. As a result, awareness of Fair Trade in Korea responded that 86.6% of adult men

and women do not know entirely about Fair Trade and people who have even heard of the terminology was 13.3%. Only 20.8% of total respondents answered “Yes” to the question about “Do you know about Fair Trade?”

Analysis of the survey tells us that more women than men have a high recognition level for Fair Trade. In Europe, there was a comparatively high level of recognition of Fair Trade in 20’s and 30’s. Especially, university students led the various campaign activities related Fair Trade. On the contrary, Korea has shown that 30’s and 40’s s are interested in Fair Trade due to their economic power relatively. Higher income group has a high recognition of Fair Trade and Seoul with metropolitan area is higher recognition than other regions.

Even though FTOs in South Korea are necessary for Fair Trade education, these organizations are hard to stand on their own foot now. Most of FTOs in South Korea are facing with shortage of manpower and lack of finances. Unlike UK’s case, participation in South Korea is limited to a few celebrities’ temporary PR activities or related organizations’ campaigns. In 2008, KFTA organized the workshop, it analyzed that low awareness causes low sales following by weak base and difficulties on investment.

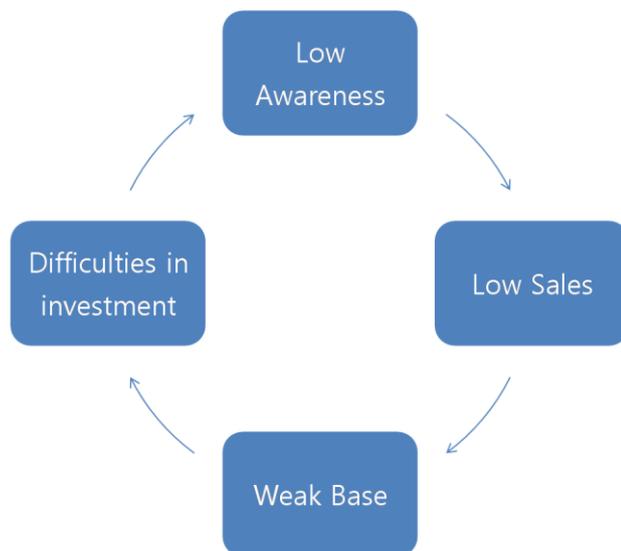


Figure 3.2: The Status of Korean Fair Trade Market

Source : Workbook of KFTA

**(2) A few categories of Fair Trade product (coffee, tea, chocolate) and poor accessibility to the mainstream outlets.**

The UK Fair Trade market and sales continue to rise by 40% each year. With over 4,000 certified products from sports balls to rice, chocolate to tea, cotton to wine, honey to coffee available it is easier than ever for people to buy them and encourage others to do so

(Osterhaus et al 2006). However, a few of these categories (foods, clothes, coffee) are sold in Korea, with Fair Trade coffee and chocolate forming the majority of sales. A few kinds of Fair Trade products are difficult to make a public image. Fair Trade goods are sold or served at Co-op network, coffee shops, a few outlets, but many consumers are only aware of the goods at chain stores, such as E-mart and Starbucks. Consumers have a difficulty to understanding available Fair Trade products in mainstream outlets.

Slowly, companies in South Korea are becoming interested in Fair Trade as a Corporate Social Responsibility but they are not actively engaging in development of Fair Trade products. Somehow, there is a risk that companies are willing to use Fair Trade as their marketing tool. So we need to support the legislation to prevent the eventual abuse of the term 'Fair Trade'. In recent years, some of retailers such as E-mart, Homeplus and Olive Young provide only one or two Fair Trade products.

### **(3) Absence of integrated Organization**

In Korea, there are several organizations promoting for Fair Trade such as Fairtrade Korea(Co.), Beautiful Store, iCOOP Cooperative, APNet, YMCA Korea and the Korea Fair Trade Association. Their mission is only one – increasing the awareness of Fair trade and leading it to active purchase. In reality, these organizations were dealing with many projects and they were hard to make a partnership with each other. Therefore it's difficult to organize the nationwide campaign like a Fairtrade Fortnight or Fairtrade town. For example, KFTA was in trouble in operating "Ethical chocolate campaign because of unexpected high demand.

Initially, the Fairtrade Foundation starting from several Christian groups doing Fairtrade campaigns sporadically became an influential organization to develop nationwide campaigns after establishment of centralized organization – the Fairtrade Foundation. Therefore, it is inevitable to join forces together from scattered small unit of organizations in order to stimulate increase of awareness and constant purchases as a manager Park, Chang-soon in KFTA evaluated that these current changes in Korea look similar to UK's early days in prosperity of Fairtrade (Lee, Kang and Kong 2009). One important obstacle is not using unified mark in Fair trade products. Fairtrade label can be used to distinguish between products at a glance. Nowadays we seem to have reached "Label confusion" in most industrialized market. There are a few kinds of Fair Trade products and most of them are independently certified fair trade and so bares the internationally recognized Fairtrade logo. However it is sometimes a complex, expensive, and difficult process of acquiring the mark.

#### **(4) Lack of participation by the local community leaders and members**

Driven by civil society actors in Fair trade movement have shown the limitation to promote Fair Trade in local community. As seen about that a lot of communities participate in the campaign, the movement of community leaders like congress men and people in community (Lee, Kang and Kong, 2009). Unlike the UK, politicians and community leaders in Korea don't have the least interest in Fair Trade. Most of community leaders and members tend toward focusing on the local issues. Active community participation is a key to building an empowered community in Fair Trade. According to Business Unusual, lack of leadership is a big problem so political convictions may lead to related consumer buying practices, yet on the other hand basic information about trading conditions on the package of the product itself may provide a motive for developing further political awareness (Osterhaus et al. 2006).

## **IV. Fair Trade movement in UK**

The UK is a leading country in the field of Fair Trade. According to the effort throughout the country, there are more than 450 Fairtrade towns, 7,000 Fairtrade churches, 3,000 schools, 100 Fairtrade universities, 40 Fairtrade synagogues and one Mosque (Fairtrade Foundation 2011). In accordance with survey conducted by GlobeScan<sup>8</sup> the UK has the highest level of awareness with 82% of people. This high level of awareness in Fairtrade Mark revealed the sale figure. The value of Fairtrade products soared by 40% in 2010 to an estimated retail value £1.7 billion compared with £ 836million in 2009. UK shoppers are continuing to embrace Fair Trade, showing no downturn on ethical values despite the tough economic climate (Ibid). The meaning of Fair Trade affects the people's behavior which considers the story behind the product and chooses the item in daily life. This level of recognition and trust are consistent with people's action.

For a long time, the UK has been set up a solid foundation for a civil sector such as co-operatives, labor unions and associations. Under the well developed democracy, individuals with consciousness of the Christian ethics, Fair Trade as one of the vibrant social movements unites people. Furthermore, they are practicing a sense of responsibility for developing countries through various activities. Importantly, the UK's big retailers like The Co-op, Tesco and Marks & Spencer are dealing with Fairtrade certified products. They have put a range of Fair Trade products on their shelves therefore citizens can easily find Fair Trade products anywhere in their daily life. There are more than 4,500 food, drink and clothing items have been certified as well as other goods.

In order to understand the situation in the UK, I will provide the historical background of Fair Trade movement and examine a leading organization "Fairtrade Foundation" and its functions and contribution in the country. I'd like to provide the information how to become a Fairtrade Town and how to prepare for obtaining status of Fairtrade Town then look into the best practice a case of Fairtrade Town, 'Square Mile'.

### **4.1. History of Fair Trade movement in UK**

In 1950s After World War II, Oxfam UK begins selling the crafts made by Chinese refugees to the UK market. But it wasn't until the 1950s and 60s that the Fair Trade

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<sup>8</sup>Commissioned by Fairtrade Labelling Organizations International (FLO), with a sample size of 14,500 in 15 countries including the UK

movement really started to find its shape. This began to shape the idea of fairly traded products within the charity and NGO sector (Rombouts Blog 2011). It has attracted Alternative Trade Organization.

In 1964, it created the first Fair Trade Organization. Supporting the work of cooperatives and community enterprises in the developing world, the organization was responsible for importing handicrafts to sell in Oxfam shops across the UK (Ibid). Mainly, the Fair Trade started out through a network of world shops and other ATOs offering fairly-traded handicrafts, coffee, tea and dried fruit. In 1979 Traidcraft launched a catalogue retail operation, but remained small-scale for a number of years. Nicaraguan Fair Trade coffee was consumed in the 1980s in support of the socialist and co-operative revolutionary activists.

In 1992, CAFOD, Christian Aid, New Consumer, Oxfam, Traidcraft, World development Movement and the National Federation of Women's Institutes formed the Fairtrade Foundation (Fairtrade Foundation 2011). This Foundation ramped up promotion and awareness-raising activities through new initiatives such as Fair Trade Fortnight, Fairtrade town. The Co-operative group (the country's fifth biggest supermarket) has helped drive the development of the Fairtrade Mark in the UK since products with the Fairtrade Mark first appeared in the early 1990s (Ibid). Green & Black's 'Maya Gold' chocolate became the first certified Fair Trade product in the UK in 1994 (Green & Black 2011).

In early 20<sup>th</sup> century, supporting by supermarket was the highlight of the UK Fairtrade movement. The Co-operative group has been in the vanguard of UK supermarkets in supporting Fair Trade, introducing the first supermarket own-label Fair Trade product (milk chocolate) in 2000 and with much fanfare, converting all its own-label coffee (2002) and then chocolate (2003) to Fair Trade (Nicholls and Opal 2006). Starbucks rolled out their 2008 announcement to go 100% Fairtrade for all espresso-based coffees in the UK and Ireland (Fairtrade Foundation 2011). In 2009 UK-based Pachacuti, a Fairtrade retailer, is the first member of the World Fair Trade Organization (WFTO) to finish the pilot certification process using the Sustainable Fair Trade Management System (SFTMS V.2). The SFTMS V.2 is an authentication tool that certifies organizations against the 10 Fair Trade Principles of the WFTO. The evaluation includes both internal and external audit verifications of the entire supply chain of Pachacuti (Bluepeoplefairtrade 2011).

Currently, 500 Fairtrade towns and thousands of Fairtrade schools, churches and universities exist throughout the U K. In 2002, Tony Blair visited Fairtrade farmers and voiced his support for the brand, and more recently David Cameron praised larger companies for supporting the Fair Trade movement (Doane 2011).

#### **4.2. A leading organization in Fair Trade : The Fairtrade Foundation**

More exactly, the reason for the success in UK is that centralized organization related Fair Trade work. Hence, the Fairtrade Foundation is playing a leading role in enabling the Fair Trade movement structurally. The foundation was established in 1992 by CAFOD, Christian Aid, New Consumer, Oxfam, Traidcraft, the World Development Movement and the National Federation of Women's Institutes (Fairtrade Foundation 2011). So the birth of foundation has been responsible for cooperation with the NGOs. It is the independent non-profit organization that licenses use of the Fairtrade Mark on products in the UK in accordance with internationally agreed Fairtrade standards. The members are from diverse group like Banana Link, Methodist Relief and Development Fund, Nicaragua Solidarity Campaign, People & Planet, SCIAF, Shared Interest Foundation, Soroptimist International, Tearfund and the United Reformed Church (Ibid). Working with various partners to support producer organizations and their networks is key characteristics.

To draw in spreading out the awareness widely and purchasing actively, the Foundation takes an action to name various levels of groups (local governments, colleges, schools, faith groups, workplaces) in a community certified organization to support Fairtrade (Ibid). The foundation organizes and coordinates promotional national campaigns and events such as the Fairtrade Fortnight and Fairtrade Town etc. The Fairtrade Fortnight is an annual event in which fair and ethical trading value are celebrated with several events at schools, colleges, universities and workplaces up and down the country consist of everything from makeovers (swap those ordinary store-bought clothes for fair trade threads) to food exchanges (bring along your favorite brand of tea, coffee or jam and swap it for a fair trade alternative) (BBC News 2007). It could estimate 12,000 separate activities and events took place during Fairtrade Fortnight, reflecting the diverse range of supporters across the country – everything from Fairtrade parades, concerts and debates to coffee mornings, fashion shows and family days (Oneworld 2011). The Fairtrade Town campaign, which designates areas and towns committed to the promotion of Fairtrade certified goods (Wikipedia 2011). The Fairtrade Town spread rapidly over 10 years. The Foundation encourages not only awareness and involve in broader practice to become a Fairtrade Town, university, school, church by fulfilling three to five conditions which the Fairtrade Foundation asks (Lee, Kang & Kong 2009). There are hundreds of Fairtrade Towns, universities, churches and schools around the UK have been promoted Fairtrade at a regional level. Finally, successful role of this Foundation is indebted to UK government, because the Department for International Development (DFID) in UK supported £1.2m for Fairtrade after 1999. Therefore, the

Foundation used the subsidies for the promotion of the Fairtrade movement such as Fairtrade town, Fairtrade university, campaigns, and development of new products.

### 4.3. A successful campaign : Fairtrade Town

Over the last years, the concept of Fairtrade Towns has developed fast. The Fairtrade town campaign was first launched in 2001 in Garstang, Lancashire, under the initiative of Bruce Crowther, a local Oxfam supporter, and the Garstang Oxfam Group. The initiative, which aimed to promote Fairtrade certified goods in the town, was highly successful: within a couple of months, awareness of the Fairtrade Mark jumped to over 70% in the town while sales of Fairtrade certified goods increased significantly (Wikipedia 2011).

Moreover, over the course of the campaign, Garstang developed links with Fairtrade cocoa farming communities in West Africa, which led to the twin town relationship with New Koforidua, Ghana (Garstang Fairtrade Town 2002).



Figure 4.1 : Garstang Fairtrade Town

Garstang in Lancashire declared itself 'the World first Fair Trade Town' in 2000. The campaign caught the local people, the interest of politicians, and made headlines across the North West (Fairtrade Foundation 2011). The campaign in Garstang inspired towns, cities, boroughs, villages, islands, counties and zones across the country to make a collective commitment to Fair Trade and work towards Fairtrade Town status for their community (Ibid). In 2011, there are now 500 Fair Trade Towns as well as more than 200 areas campaigning towards status. The phenomenon has not stopped at the border. There are now Fair Trade Town campaigns in 22 countries around the world and all of these have been inspired by the example in the UK (Fairtrade towns 2011).

As the activities at Garstang gained wider attention, the Fairtrade Foundation launched a

set of Fairtrade Town Goals and an Action Guide to encourage others to follow in the town's success. In 2011, 500 towns in the UK and 500 towns in the world awarded the Fairtrade status by the Fairtrade Foundation. The concept of Fairtrade Town is a town, city, village, county, zone, island or borough that has made a commitment to supporting Fair Trade and using products with the Fairtrade Mark (Fairtrade Foundation, 2011).

Fair Trade Town is a marketing tool in which this status is awarded by a recognized Fair Trade certification body (i.e. the Fairtrade Foundation in the UK, TransFair Canada in Canada etc.) (Wikipedia 2011). To become a Fairtrade Town should achieve following five criteria laid out by the Fairtrade Foundation.

- ① Local council passes a resolution supporting Fairtrade, and agrees to serve Fairtrade tea and coffee at its meetings and in its offices and canteens.
- ② A range of (at least two) Fairtrade products are readily available in the area's retail outlets (shops, supermarkets, newsagents and petrol stations) and served in local catering outlets (cafés, restaurants, pubs).
- ③ Local workplaces and community organizations (places of worship, schools, universities, colleges and other community organizations) support Fair Trade and use Fair Trade products whenever possible. A population over 100,000 will also need a flagship employer<sup>9</sup>
- ④ Media coverage and events raise awareness and understanding of Fairtrade across the community.
- ⑤ A local Fairtrade steering group is convened to ensure the Fairtrade Town campaign continues to develop and gain new support.

These five goals must be met for a place to become a Fairtrade Town and developed to maintain Fairtrade status. The goals are designed to ensure as many people possible can get involved and a Fairtrade Town needs everyone to play their part – from the local authority to cafes, businesses to schools, local newspapers to community groups (Fairtrade Town Action guide 2011). According to the Fairtrade Town Action Guide, there is a process how to become a Fairtrade Town.

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<sup>9</sup> Flagship employer is an important local workplace that uses Fairtrade products and promotes Fairtrade to staff, clients and contacts.



Figure 4.2: the process of the Fairtrade Town

Source : Adopted from the Fairtrade Town Action Guide

The steering group is the heart of a thriving Fairtrade Town. This group must be as representative as possible of the whole community. This group can not only bring greater legitimacy and support, but also bring access to a variety of different resources and the knowledge of how to target specific groups (Barrie Fair Trade Working Group 2009). In order to effectively carry out the wide variety of tasks, the group should bring together people with a diversity of skills and knowledge. Specially, a member of steering group should understand Fairtrade deeply to raise awareness of Fairtrade mark for general public. The steering group leads ongoing action around the Fairtrade Town goals, submits the initial application for the area and all applications to renew Fairtrade status thereafter (Fairtrade Foundation 2011).

The group must be outward-looking, constantly visible to the general public and willing to bring Fair Trade to a variety of different audiences. To acquire sustainability, group members must also be dedicated to the long-term success of the campaign by committing to long-term involvement in the committee and keep good records for when change over does happen. Finally the group must have good communications, both internally and externally with other Fair trade town actors and Fairtrade Foundation. A steering committee should meet

for at least a year before the community be recognized as a Fairtrade town (Barrie Fair Trade Working Group 2009).

From October, 2008, London became the world's largest Fairtrade city officially, with 20 Fairtrade boroughs in the capital. Like the declaration, the culmination of a drive launched by former Mayor Ken Livingstone in 2003, London has achieved the capital of Fair Trade in the world within a few years (Korea Fair Trade Association 2008). For achieving status of Fairtrade Town, the nation's capital is sending a strong message that the people of London want trade to be fairer (Fairtrade London 2011).

#### 4.4. Best Practice : the Square Mile as the UK's 300th Fairtrade Town

I visited London for a research trip in 2008 sponsored by the Hope institute. The Fairtrade town was the subject of study. So I was able to examine how the city implemented this Fairtrade initiative closely. This case presents a good example which is progress inside the city.

The city of London has known as Square Mile. Square Mile is the commercial and financial heart of the UK-with over 5000 businesses contributing 19% to London's GDP and approximately 4% to the UK's GDP. In 2010, Greater London had an official population of 7,825,200 (Wikipedia 2011). The City has a resident population of around 10,000, but around 330,000 people work there, mainly in the financial services sector (Ibid). City of London got an accredited Fairtrade Zone, awarded Fairtrade Status for the Square Mile as the UK's 300th Fairtrade Town is announced by the Fairtrade Foundation on Monday, 22 October, 2007. To gain a status of 'Fairtrade Town' they should achieve five crieterias laid out by the Fairtrade Foundation. On Thursday 7 December, 2006, The City of London Corporation formally adopted a new resolution in support of purchasing products bearing the Fairtrade mark and encouraging our stakeholders to do the same.



Figure 4.3: The status of Fairtrade Town & Square Mile

When I was there, I was able to attend the steering committee meeting and know the uprising issues. The steering group is open to representatives of businesses, resident or community groups based within the Square Mile. The City Fairtrade Steering Group comprises a number of influential businesses and organisations including Aviva, KPMG, Waitrose, Matrix Knowledge Group and the Barbican Centre. The City Fairtrade Steering Group was first convened in November 2006 and is chaired by Reverend G.R. Bush (St. Mary-le-Bow) of Justshare (a coalition of London Churches). This steering Group members include Avenance, Aviva, Barbican Arts Centre, British Bankers Association, Cass Business School, City of London Corporation, Divine Chocolate, Fairtrade Foundation, Fairtrade London, GSMD, Just Share, KPMG, LCH Clearnet, Matrix Research and Consultancy, Overbury, Searcy's, and Waitrose.



Figure 4.4: Steering group meeting and Fairtrade coffee.

The City Fairtrade Steering Group has launched the Fairtrade Hub, which is a new online tool that allows its members. The City Fairtrade Steering Group oversees activities going on throughout the year in order to ensure the City is still meeting the five goals. Every Fairtrade Fortnight, held February/March, members of the Steering Group organise special events. The Square Mile's bid for Fairtrade status has focused on its position as a business hub, with many of the major workplaces in the Square Mile including The Gherkin, Barbican Centre, Linklaters, Lloyd's of London, Barings, UBS, and the Bank of England, all using Fairtrade products in the workplace (Wikipedia 2011).

In February, Aviva (Norwich Union) hosted the City's first Business Breakfast, raising awareness amongst over 50 companies. And KPMG hosted a second event, targeting Financial Times and the London stock Exchange (FTSE) 100 business leaders to encourage them to engage with Fairtrade. Mike Kelly (CSR director, KPMG) told that company practices about Fairtrade affected positively potential customers and investors. She

emphasized that decision maker in business should change the purchasing policy to reflect the Fairtrade principles at all levels of work. KPMG has implemented Fairtrade into procurement policy since 2003 so KPMG could provide the Fairtrade coffee, tea and wine.

The wider community has also shown their support for Fairtrade, with four out of the six schools in the vicinity using Fairtrade as part of their catering contract. Eleven churches have switched to sing Fairtrade, including the café at St Paul's Cathedral (Fairtrade Town 2011).



Figure 4.5: A big retailer : Marks & Spencer in Sqaure Mile

Being Fairtrade Town at Square Mile has a special meaning. Even though City of London is the heart of world financial hub and the center of free trade, Alderman John Stuttard (former mayor, City of London) highlighted the importance of Fairtrade. Business can join the responsible manner for international financial market. When people in business understand Fairtrade and engage in their work, it has a high possibility spread the value of Fairtrade throughout the company. If Korea accepts this kind of practice in Seoul or Inchoen, it's possible to be realized.

## **V. Comparison between South Korea and UK**

Sales of Fairtrade goods in the UK were supported by massive grassroots movement committed to changing lives of developing country producers for the better. Furthermore, Fair Trade marketing and appearance of Fair Trade company has influenced the sales and increased the market share. However in reality, FTOs in South Korea do not make a big impact on the market yet. Lessons drawn from the UK will identify the vital factors to suggest strategies for Fair Trade efforts in South Korea.

### **5.1. Analysis of Vital factors in Fair Trade**

#### **(1) Raise awareness with public education**

In the initial stage, the leading role of the UK is the Fairtrade Foundation and grassroots movement. There are Fair Trade schools. Students in primary, secondary and high schools have a chance to learn and experience Fair Trade in classes, catering and other activities. Children can browse aptly to get a guideline for practice in the Fairtrade Foundation Website. In other words, the Fair Trade Foundation tried to access to not only adults but to children to take an action in their daily (Lee, Kang and Kong 2009). Fair Trade organizations in Korea can bring more consumers into the movement and better educate them to choose Fair Trade products. To overcome this low awareness, we should develop public education and youth training. Moreover Fair Trade education can be incorporated into the teaching curricula and trains a teacher at school. If all children grow up with the belief that it is 'normal' to buy Fair Trade products, together they can be influential social power. In this sense, the success of the Fair Trade movement depends on the willingness of consumers to buy Fair Trade product regularly. The conventional customers are more willing to buy more various qualified Fair Trade products with reasonable price. If more of us buy Fair Trade, our demand can encourage more stores, such as Lotte Mart and convenience stores, to stock it on their shelves, at all of their locations. The way to increase sale opportunities is to start offering Fair Trade products in large distribution channels. For example, Fair Trade snacks can be included in vending machines at schools and stocked in company pantries.

#### **(2) Creation of the centralized organization**

Development of Fair Trade movement effectively needs a new centralized organization like a Fair Trade foundation in UK. If we have a new organization will encourage industry and consumers in Korea to support fairer trade in particular by promoting and licensing Fair

trade standards. Most of Fair Trade Organizations except have developed a Fair trade project among numerous development projects. Therefore, it's difficult to integrate them at a time. Most of FTOs realized that centralized organization is important because addressing the Fair Trade issues take action all together systemically. Lately, the Europe Korea Foundation (EKF) has a partnership with Fairtrade International (FLO) in 2011. Even though EKF was not actively engaged in promotion of Fair Trade on a national level, EKF had a Fairtrade Marketing Organization Agreement on March 17<sup>th</sup> 2011. EKF is an affiliated foundation at the European Union Chamber of Commerce (EUCCCK). I begin to doubt 'Why FLO gave a status to handle with licensing work to EKF?'. FLO only focused on issuing FLO mark and expanding their position within Korea. If Korea has a centralized organization, it can monitor the Fair Trade mark or issue the FLO mark. Most of FTOs wanted to response strongly against FLO decision, but it's hard to make a consensus. So to advance a step further in future, FTOs should discuss all together and work together.

### **(3) Cooperation with government**

The success of 'Designation of Fairtrade Town' campaign which makes big changes nationwide in UK comes from active participation of community leaders and members. One of the provisions which qualify to be a Fairtrade Town says "Local council passes a resolution supporting Fairtrade, and agrees to serve Fairtrade products" In 2002 Tony Blair visited Fairtrade farmers and voiced his support for the brand, and more recently David Cameron praised larger companies for supporting the Fairtrade movement (Doane 2011). Notable finding is that politicians have been keen to support Fairtrade too.

In recent years, each local government has an international exchange and policy. For example, Inchoen and Philippines have set up a sisterhood relationship. Many developing countries are having a relationship with local government so I can see that there is a good possibility for promoting Fair Trade. In convincing decision-makers to understand and adopt Fair Trade, most people have found it much more effective to take cooperative rather than a confrontational approach. If a municipality would designate a Fair Trade Focal Person whom producers, traders, researchers and interested parties can approach to learn more about Fair Trade and how partnerships can be developed. A local Fair Trade network must be established to synchronize Fair Trade goals and activities within a municipality. This also makes resources mobilization more efficient because organizations can pool together funds for Fair Trade mainstreaming strategies. A municipal-based Fair Trade network must be open to

memberships from other sectors of the society and not limit itself to industries and government agencies. At last, leaders in the community convince the participation of the Fair Trade (ICLE-Local Government for Sustainability 2009).

Table 5.1: Summary of characteristics in UK and South Korea

	UK	Korea
Awareness of Fair Trade	72%	20%
Sales of Fair Trade Products	£ 836million	\$10.6 million
Centralized Organization	Fairtrade Foundation	No
Fairtrade Town	500	0
Government Support	Actively participated in FairTrade movement (ex. DIFD financial support)	Lack of participation and awareness
Company Support	Major companies and Retailers (Marks & Spencer, Tesco, Coop, etc) Fairtrade Breakfast	Few companies (ex. LotteMart, Homplus, Olive Young)
Fairtrade Education	Fairtrade School, Fairtrade University,	0
History of Fair Trade	60 years	8 years
Categories of Fair Trade Products	4,000	15

#### **(4) Collaboration with the business sector**

Issues related to how to involve the business sector in the Fair Trade movement are very important. Businesses should regard Fair Trade as a part of corporate social responsibility (CSR) and should thus promote understanding of this topic. The practice of Fair Trade has a positive impact on potential customers and investors, which has attracted businesses to this movement.

When companies enter the Fair Trade movement as a partner, people are able to easily buy a variety of Fair Trade Goods during the course of everyday life. For example, co-operatives have been in the vanguard of UK supermarkets supporting Fair Trade. This group introduced

the first supermarket-owned Fair Trade product in the UK in 2000. Accompanied by much fanfare, it converted all coffee produced under its own label to the Fairtrade label in 2002. All four of the major UK supermarkets now offer products under their own Fairtrade. This kind of product development and private branding increases awareness of Fair Trade. One of the most visible campaigns is that of “Fairtrade at work.” The promotion of Fair Trade products in the workplace requires that such products be readily available. This will be a first step in changing the Fair Trade procurement policy. KPMG and AVIVA hosted a Fairtrade Breakfast to increase the awareness of companies doing business in London. This event enhanced understanding of Fairtrade and facilitated engagement between those affiliated with Fairtrade and business decision makers. It is possible to incorporate Fair Trade principles and to implement Fair Trade practices at all levels of the work environment. The active participation by large retailers in the UK has made this country’s Fair Trade movement the most successful in the world.

## **5.2. The organization of the “Fairtrade Town initiative” in South Korea**

The success of Fairtrade Towns in promoting the Fair Trade movement in the UK should be used as a model for more firmly establishing the Fair Trade movement in South Korea as well.

### **(1) How to start a Fairtrade Town initiative**

To become a Fairtrade Town, communities must attain certain goals, and local community leaders must commit themselves to promoting awareness of Fair Trade within the community. These goals, which can be achieved in a number of different ways, also provide opportunities to connect what is happening in developing countries with what is happening in the local communities of South Korea. Initiatives are undertaken within the community to promote other forms of sustainable consumption and ethical purchasing. The following outline provides information on how to organize a Fair-Trade town initiative during the initial stage.

First, local and national governments join the Fairtrade town campaign, which takes practical action to pass the resolution and to introduce Fair Trade products at meetings, offices, and canteens. Participation by governments has had a hugely positive impact on awareness of Fair Trade. In the UK, the Fairtrade town initiative has resulted in significant developments that could have a major impact on the local authority for procurement. A Fairtrade town must secure local and regional political support, which then gathers its own momentum and spreads. Local political leaders who initially support Fairtrade go on to influence others in

their region to make a commitment and take action. Moreover, local and national governmental support enhances the effectiveness of the awareness-raising efforts undertaken by the Fair Trade movement. For example, the Fairtrade Schools project, funded by the Department for International Development, was operated by the education project, Time for Change, from April 2002 to March 2004. It is the role of government to provide this kind of financial support.

Second, creation of a successful steering committee is very important to the success of Fair Trade efforts. This endeavor usually requires at least one year for the establishment of a steering group and the development of strong relationships and linkages within the community. The steering committee must be as representative as possible of the whole community (Transfair Canada 2009). This body should ideally include a council representative, campaigners, and people representing the area's schools, churches, and businesses. After its creation, a steering committee needs to support the work of the group, providing leadership through funding and the provision of space for meetings or office hours. This group can share information about events and work together on the Fairtrade Town campaign. This group is responsible for ensuring a continuing commitment to maintaining the status of the community as a Fairtrade Town. Thus, this group should monitor whether the area is continuing to meet the five goals.

Third, major FTOs should determine how to attract the attention of the general public. These FTOs should try to clarify the meaning of Fair Trade and to promote the identification of the Fair Trade mark on products. Increasing the availability of Fair Trade products enables more people to buy these goods, and the greater visibility offers opportunities for exposing new people to Fair Trade. FTOs organize public awareness programs such as lectures, forums, conferences, and so on. Valuable Fair Trade resources and networks emerge from these efforts. FTOs usually work closely with producers to support the development of increased capacities. The challenge faced by Fair Trade products in developing countries involves the fact that their prices do not reflect the real value of the labor or raw materials used in their production. Thus, producer groups should consider how to compete in the free market. Companies offering products that meet the Fair Trade standards may apply for licenses. Collaborative relationships between companies and producers can enhance efforts to increase capacity.

Fourth, business people who are concerned with Fair Trade can encourage Fairtrade campaigns. Encouragement for people to switch to Fair Trade products should be widely available; this will contribute to changing purchasing policies in favor of Fair Trade products. Market cultivation is facilitated when businesses are involved in the development of products. Companies practicing Fair Trade will garner a positive public image, which will have a positive impact on potential customers and investors.



Figure 5.1 : Fairtrade town

## (2) Attempt to become a Fairtrade Town within South Korea

For the first time, Incheon Metropolitan city declared that they would like to become a Fairtrade Town in Korea. Fair Trade initiative can be the network to generate social capital not only in the local community, but also in the fair distant producer community as well. The Incheon Metropolitan City is located in the mid-west of the Korea peninsula, abutting the Yellow Sea. It is located 28 km from the nation’s capital, Seoul. Today 2.76 million people live in the city, making it Korea’s third populous city after Seoul and Busan Metropolitan City. In 2003, the city was designated as Korea’s first free economic zone. (Wikipedia 2011).

Investment Promotion Division of Incheon held the public forum , ‘To make a Fairtrade Town Inchoen’ on 24 December in 2010. The first step for the Fairtrade Town initiative was data collection then to put a tentative campaign named ‘Fairtrade city Incheon’. There were two of organizations, such as iCOOP incheon and Consumer’s Cooperative which is a leading Fair Trade movement at community level. A new steering group has been formed and there

are 7 members (Officials 2, local authority 1, Professor 2, NGOs 2). Fortunately, Incheon city secured the budget USD\$1million (1billion KRW) for promoting Fair Trade. It is very remarkable moment to see that local government supports Fair Trade. With public support, Incheon city promote awareness of Fair Trade issues such as electronic display, school newsletter and SMS text message etc. In 2011, public education for government officials and citizens are very effective way to raise awareness of Fair Trade in July. Currently, cafeteria in Incheon city hall sells the Fair trade products (coffee, chocolate, sugar, olive oil etc). Incheon has been trying to change purchasing policy with public office, public enterprise and industrial complex within region. Recently, a university student network for Fair Trade has formed. Incheon aims to gain a status of a Fairtrade town or City until 2014. However these all activities tend to lead by Investment Promotion Division. To make a successful case need to mobilize the steering group and the most difficult goal to achieve is passing a resolution by local council. Furthermore, it's not clear that which organization approves the status of Fairtrade Town.

### **(3) International Fairtrade Town**

The Fairtrade Towns initiative is new to South Korea, adopted from the international campaign initiated in the UK. This Fairtrade Town model can be replicable by any community. There are certain requirements, but there is also room for creativity and personalization (Barrie Fair Trade Working Group 2011). Currently, there are 1000 Fair Trade Towns in 22 countries across all six major continents. And Kumamoto in Japan, declared as the first Fair Trade Town in Asia. Since 2005 there has been a grassroots movement of people along the German, French and Luxembourg borders that have been working together to share common interests. When Saarbrücken became the first Fairtrade Town in Germany in 2009 they decided to direct their cooperation towards becoming a transnational Fairtrade Region (Fairtrade Town 2011).

Becoming Fairtrade Town initiative is a grass roots social movement so this kind of process and participation may improve the civic consciousness. At international level the global active citizen may be involved in movements to promote sustainability or Fair Trade, to reduce poverty or eliminate slavery. (Face it 2011)

## VI. Conclusion

Fair Trade alone will not solve the problem of poverty in the world, although its growth could be of significant benefit to many people. Also, promoting the consumption of Fair Trade products is appealing to many because it is entirely a consumer choice model; it is compatible with larger models of free trade and unregulated international commerce (Nicholls 2008).

According to this research, Fair Trade has proven to be a realistic approach to addressing problems related to unfair trade practices such as exploitation of small farmers, craftspeople and plantation workers, as well as those inherent in the market economy such as environmental pollution, poverty, and imbalances between advanced and developing countries. Thus, the future of the Fair Trade movement is encouraging.

Currently, the UK is a leading country in the Fair Trade movement, while South Korea has aspirations of becoming one of the Fair Trade capitals of the world. Although the Fair Trade movement in South Korea is still in its infancy, it is quickly gaining in popularity. The nationwide campaign, 'Fair Trade town UK' is hoped to be a catalyst that will bring many more people into this developing movement. Here I will conduct a comparative analysis of the movement in the UK and South Korea.

Essential factors in promoting Fair Trade in the UK have been: a long history of ethical consumption; cooperation within local communities; centralized organization; and support from government as well as corporations. A description of the roles played by these factors follows.

- Self-conscious, ethical consumption: The voluntary awareness of what one consumes and where it originates strengthens the basis of the movement and contributes to a high level of awareness of Fair Trade practices.

- Active participation from local community groups such as schools, universities, and churches: Local community groups have worked to raise the profile of Fair Trade as an issue and to increase the sales of certified Fair Trade products.

-The Fair Trade Foundation: The foundation has been raising public awareness of the need for Fair Trade and the importance of the Fair Trade mark through motivated campaigns across the UK.

- The support of corporations and government for Fair Trade: Major companies like Tesco, Co-Op, and Marks&Spencer have contributed to the Fair Trade movement by providing distribution channels and investment in Fair Trade products. Of special note is the 'Square Mile', the UK's 300<sup>th</sup> Fair Trade Town, which has been at the forefront of promoting ways in which businesses can join the Fair Trade movement.

As a result of this wide range of Fair Trade movement-related activities, consumers are well aware of FLO products, standards, and certifications and they have become part of the social culture. In contrast to the UK, Korea has encountered the following problems in promoting Fair Trade.

-Lack of participation and awareness: Throughout the early stages, leading NGOs have been limited in their ability to promote Fair Trade. Organizations have faced a lack of manpower as well as inadequate financing.

-No unified organization: Because the movement consists mostly of scattered actors throughout South Korea, it is difficult to organize nationwide campaigns and raise public awareness.

- Lack of corporate participation: Fair Trade goods are difficult to find in mainstream outlets.

Under the present circumstances, support from government and media is required. In order to raise levels of awareness, we need a more effective approach. In the case of Korea, government must play a key role in developing awareness, as well as promoting the sales and availability of Fair trade products. The Fair Trade town initiative in Inchoen is a good start to this process. By beginning in this way, multiple stakeholders in the Fair Trade movement will be able to begin building a strong network.

Activities to attract attention and support from the local community are very important. We need to convince community leaders to participate in Fair Trade campaigns. Active participation of community leaders such as congressmen and others will be key to activating interest in Fair Trade. Along with this effort, it will also be important to educate people about Fair Trade by establishing ties with local educational institutions.

-Involving corporations in these activities will also be necessary. Companies should be encouraged to consider Fair Trade a corporate social responsibility. By becoming involved in the Fair Trade movement, corporations will be able to promote a positive public image that is

verifiable and credible.

Fair Trade does not create competition for local farmers in the UK because most Fair Trade products such as coffee, bananas, tea and cocoa cannot be grown in the temperate UK. Many Fair Trade town groups have made a connection between the Fair Trade movement and are creating a fair deal for local farmers by taking Fair Trade to farmer's markets and asking locals to decide their own policies, which balance concern for both local and global farmers (Fairtrade Foundation 2011).

Working towards Fair Trade town status will bring together neighbors, community groups, local authorities and businesses toward a common goal and shared achievement. Becoming a Fair Trade town is a lot of work, good fun and a great way to bring people together. It will also be an achievement everyone can celebrate and a powerful message about how your community wants trade to work (Fairtrade Foundation 2011). When we see the 'Fair Trade logo' regularly in daily life, it means not only the spread of Fair Trade but also increasing awareness of sustainable development. Promoting Fair Trade is an important step towards a better world. These tentative conclusions await further refinement and correction in the light of further research.

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