The Issue: Fair trade products are niche products that command premium prices. Fair trade products, moreover, are ostensibly pro-poor.

Yet viewed from a different perspective, fair trade remains limited to a few suppliers in a few developing countries that cater to a few buyers who are selling to a small segment of the market. In other words, fair trade may represent a ‘development trap’. Consider that:

- Premium prices imply a limited market. And, therefore, the impact of fair trade, in terms of the number of people it can lift out of poverty, is equally limited.
- Under an artificially high price, poor producers have no incentive to invest in capacity and quality upgrading, thereby undermining long-term competitiveness.
- Fair trade is ‘buyer dominated’. Suppliers are largely at the mercy of these international buyers.
- Fair trade value chains operate outside the mainstream, and are independent of public sector initiatives to bring the poor into the export process.

The Proposition: But things are changing.

- Fair trade buyers are focusing increasingly on capacity development, quality upgrading, and providing a social premium to developing/transition economy suppliers.
- The range of fair traded products and their value-added content are increasing.
- The consumers’ understanding of what is ‘fair’ is widening to encompass other social, environmental and ethical concerns.
- Demand for ‘ethically’ produced and traded products and services is growing.

In short, fair trade’s potential for reinforcing the export development potential - poverty reduction linkage is growing. The pro-poor export strategy-maker must not ignore this dynamic. The challenge is to align public sector programmes with what has, up to now, been an exclusively non-governmental initiative.

Focus of the debate: The debate will address the following questions:

1. Is the proposition valid? Is fair trade actually making a significant contribution to poverty reduction? What are the verifiers?
2. What is the likely future scope of fair trade products (services)? Is the scope sufficient to highlight fair trade in a pro-poor national export strategy? If so, what public sector programmes can effectively reinforce and broaden fair trade’s impact on poverty reduction?
3. What are the likely consequences of a national strategy to ‘broad-base’ fair trade on those enterprises that are currently fair trade suppliers?
4. Is public sector involvement in fair trade likely to be welcomed by private sector buyers? If so, what are the expectations of the private sector and what type of partnerships would be possible?
5. Does the future of ethical consumption lie in fair trade? What complementary approaches to promoting ethical consumption, and ethical production, must the developing/transition economy strategy-maker take into account?