

# Making Fair Trade Principles Work: Lesson Learn from Mitra Bali

Putu Wahyu Mila Sari

*Universitas Airlangga, International Relations Department*

**Keywords:** Fair Trade, Fair Trade principles, Mitra Bali Fair Trade, Sustainable Development

**Abstract:** Fair Trade is a trading partnership based on dialogue, transparency, and respect, which seeks greater equity in international trade. It contributes sustainable development by offering better trading conditions to and securing the rights of, marginalized art producers and workers – especially in the South. Fair trade emerges as an alternative and response to the negative impact of free trade. Mitra Bali Fair Trade is one of the organizations that have the vision to empower all of handicraft and jewelry artisans in Bali. Unpredictable revenues and frequent irreplaceable capital cause artists to struggle economically. For that reason, Mitra Bali is present as a place for artists to work by using the principle of fair trade in order to get more profit, fair and sustainable. The purpose of this paper is to illustrate how fair trade is implemented in the economic and everyday life of society, which is beneficial not only for human, but also the natural environment, and future life. The methods used by the author are the literature review and interview. There are some programs that Mitra Bali has been doing: giving a soft loan to the art producers, building good lavatory and sanitation, providing a loan program called Cow Advocacy. Mitra Bali also supports reforestation by supplying artisans with softwood tree seedings, promotes the preservation of ancient craftsmanship in Bali and combines them with modern design. The art producers receive a reasonable price, which they do not get from domestic market. In addition, Mitra Bali does voluntary social services as well, such as environmental protection, advocacy, lobbying, and promoting.

## 1 INTRODUCTION

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. There are 17 goals build on the successes of the Millennium Development Goals, while including areas such as climate change, economic inequality, innovation, sustainable consumption, peace, and justice, among other priorities. Those goals are related to each other and to achieve the SDGs requires the engagement of governments, the private sector, civil society, and also citizens.

Climate change, economic inequality, poverty, innovation, peace, and justice have the link to one activity, it is trading. Trade is the action of buying and selling goods and services thus trade involves many aspects of human being. But, what if trade activities give a lot of problems rather than the benefit? There are some problems that International Trade have, and mostly are social and environment problems. International trade is unfair for poor or small company who can not fight along with giant company, it also can make who are already rich get

richer and who already poor get poorer. The competition in international trade can not be fair seen so no one can control or watch. Beside it can give bad impact to social economy, international trade also can be harsh to the environment. The exploitation aims to get more benefits. There is no sustainable projects to keep the resources stay longer. Not forget to mention of unorganic materials which mostly used by the products. And there is a alternate system as a win win solutions in the conventional international trade.

Fair trade, as an alternative trading system of free trade, introduces moral values on its activities which are useful not only for producers and consumers but also the environment. Fair Trade is a trading partnership, based on dialogue, transparency, and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions and securing the rights of, marginalized producers and workers – especially in the South. The aim of fair trade is make trade activity more than just trading, like making justice in world trade, highlighting the need for change in the rules and practice of conventional trade and shows how a

successful business can also put people first, and also give tangible contribution to the fight against poverty, climate change, and economic crisis.

There are 10 principles of Fair Trade, i.e. 1) opportunities for disadvantaged producers, 2) transparency and accountability, 3) fair trade practices, 4) fair payment, 5) no child labor and no forced labor, 6) no discrimination, gender equity, freedom of association, 7) good working condition, 8) capacity building, 9) promote fair trade, 10) respect for the environment. These principles are getting along with the economic activity especially trade.

The author takes some lessons from Mitra Bali. Mitra Bali is an organization who runs the business using fair trade principles as well. Since 1993, Mitra Bali has been actively participating in Bali's economic and social development by working to empower a large group of handicraft producers. Mitra Bali is located in Ubud, Bali. Bali is well-known for the tourism, and also impact the demand for souvenirs product. The one who will get the benefit is supposed to be the artisan, but the fact, the middleman take more benefits rather than the artisans. Therefore, Mitra Bali is actively involved in assisting the marginalized craft producers to understand and develop a fair trade model to gain more benefits.

## 2 METHODS

Literature review and interview are used as the method for this paper. The informants are Mr. Agung Alit as the founder of Mitra Bali and activist Fair Trade Indonesia also with his artisans.

## 3 STATEMENT

Author argument in this paper is fair trade principles can run well in business as well as give benefit for people, environment, and future.

## 4 LITERATURE REVIEW

### 4.1 Globalization and Sustainable Development

The International Monetary Fund (IMF) describes globalization as the growing economic interdependence of countries worldwide through the

increasing volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology (IMF, in Wolf, 1997). As Globalization itself define as a term that has become very popular and used in many different contexts (Powell, 2015). Amavilah et al (2014) defines globalization as the increasing integration between the markets for goods, services and capital. Those in support of the globalization wave see it as an opportunity for economic growth while opponents perceive it as a threat to economic prosperity, political sovereignty, and cultural integrity (Amavilah et al(2014). Although globalization has brought considerable benefits to many economies worldwide, its impact on the competitiveness of companies in developing countries remains a great challenge (Baffour & Amal, 2011). It is suggested that globalization's effects depend on the capability of firms to learn, innovate, and also on the institutional structure in these countries (Baffour & Amal, 2011). For example, access to new markets, lower costs for raw materials and the increased necessity to improve competitiveness are some key benefits of globalization (Julien and Joyal, 1994).

Sustainable development has been adopted by the United Nations as a guiding principle for economic, environmental, and social development that aspires to meet the needs of the present without compromising the ability of future generations to meet their own (United Nations 1987). In this context, sustainable development demands the protection of the environment and natural resources as well as to provide social and economic welfare to the present and to subsequent generations (Elliott, 2012).

#### 4.1.1 Fair Trade

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 organisations have a clear commitment to Fair Trade as the principal core of their mission. They, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade. Fair Trade is more than just trading: It proves that greater justice in world trade is possible, It highlights the

need for change in the rules and practice of conventional trade and shows how a successful business can also put people first., and It is a tangible contribution to the fight against poverty, climate change and economic crisis.

Fair Trade today is a truly global movement. Over a million small-scale producers and workers are organized in as many as 3,000 grassroots organisations and their umbrella structures in over 70 countries in the South. Their products are sold in thousands of World-shops or Fair Trade shops, supermarkets and many other sales points in the North and, increasingly, in sales outlets in the Southern hemisphere. The movement is engaged in debates with political decision-makers in the European institutions and international fora on making international trade fairer. On top of that, Fair Trade has made mainstream business more aware of its social and environmental responsibility. In short: Fair Trade is becoming more and more successful. There are many stories about the history of Fair Trade. It all started in the United States, where Ten Thousand 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. The first formal "Fair Trade" shop which sold these and other items opened in 1958 in the USA.

The earliest traces of Fair Trade in Europe date from the late 1950s when Oxfam UK started to sell crafts made by Chinese refugees in Oxfam shops. In 1964, it created the first Fair Trade Organisation. Parallel initiatives were taking place in the Netherlands and in 1967 the importing organisation, Fair Trade Original, was established. At the same time, Dutch organisations began to sell cane sugar with the message "by buying cane sugar you give people in poor countries a place in the sun of prosperity". These groups went on to sell handicrafts from the South, and in 1969 the first "Third World Shop" opened. World Shops, or Fair Trade shops as they are called in other parts in the world, have played (and still play) a crucial role in the Fair Trade movement. They constitute not only points of sales but are also very active in campaigning and awareness-raising.

During the 1960s and 1970s, Non-Governmental Organisations (NGOs) and socially motivated individuals in many countries in Asia, Africa and Latin America perceived the need for fair marketing organisations, which would provide advice, assistance and support to disadvantaged producers. Many such Southern Fair Trade Organisations were established, and links were made with the new

organisations in the North. These relationships were based on partnership, dialogue, transparency and respect. The goal was greater equity in international trade.

Parallel to this citizens' movement, the developing countries were addressing international political fora such as the second UNCTAD conference (United Nations Conference on Trade and Development) in Delhi in 1968, to communicate the message "Trade not Aid." This approach put the emphasis on the establishment of equitable trade relations with the South, instead of seeing the North appropriate all the benefits and only returning a small part of these benefits in the form of development aid.

The growth of Fair Trade (or alternative trade as it was called in the early days) from the late 60s onwards has been associated primarily with development trade. It grew as a response to poverty and sometimes disaster in the South and focused on the marketing of craft products. Its founders were often the large development and sometimes religious agencies in European countries. These NGOs, working with their counterparts in countries in the South, assisted to establish Southern Fair Trade Organisations that organize producers and production, provide social services to producers, and export to the North. Alongside the development trade there was also a branch of solidarity trade. Organisations were set up to import goods from progressive countries in the South that were both politically and economically marginalised.

In the early days of fair trading, Fair Trade Organisations traded mostly with handicrafts producers, mainly because of their contacts with missionaries. Often, handmade crafts provide supplementary income to families. They are of crucial importance to households headed by women who have limited employment opportunities. Most Northern Fair Trade Organisations focused on buying these products and sold them through World Shops. The market reception of the handmade products in the World Shops was enormous. World Shops became popular for selling products from developing countries, and enjoyed upward sales turn over for many years.

In 1973, Fair Trade Original in the Netherlands, imported the first fairly traded coffee from cooperatives of small farmers in Guatemala. Now, more than 30 years later, Fair coffee has become a concept. Meanwhile, hundreds of thousands of coffee farmers have benefited from Fair Trade in coffee. In Europe, Fair Trade coffee became a popular choice for many consumers. Presently,

between 25 to 50 % of turnover of Northern Fair Trade Organisations comes from this product. After the success of coffee, many fair trading organisations expanded their food range and started selling commodity products like tea, cocoa, sugar, wine, fruit juices, nuts, rice and spices. Consumers welcomed these products like coffee.

Food products enable Fair Trade Organisations to open new markets, such as institutional markets, supermarkets and bio shops. In addition to these food products, other non food products such as flowers and cotton have been added to the Fair Trade assortment.

The Fair Trade movement came to being to raise awareness on trade injustices and imbalances of power in the conventional trade structures, and to advocate changes in policies to favour equitable trade. Sale points of Fair Trade products became one of the effective methods of campaigning. It was the Fair Trade shops that started including producer stories in product packaging to raise awareness on Fair Trade. World / Fair Trade Shops mobilised consumers to participate in campaigning activities for more global justice.

The first European World Shops conference took place in 1984. This conference set the beginning of close cooperation between volunteers working in World Shops from all over Europe. The Network of European World Shops (NEWS!) was formally established in 1994 and now represents approximately 3.000 World Shops in close to 20 European countries. NEWS! coordinates European campaigning activities and stimulates the exchange of information and experiences about development of sales and awareness raising work.

In the course of the years, the Fair Trade movement has become more professional in its awareness-raising and advocacy work. It produces well-researched documents, attractive campaign materials and public events. It has also benefited from the establishment of European structures that help to harmonize and centralise its campaigning and advocacy work. An important tool was the establishment of the FINE Advocacy Office in Brussels, which focuses on influencing the (European) policy-makers. It is supported, managed and funded by the whole movement, represented in FLO, IFAT(now WFTO), NEWS and EFTA – hence its acronym FINE.

Fair Trade and Fair Trade Organisations have been recognised repeatedly by European Institutions as well as national and regional governments for its contribution to poverty reduction, sustainable development and consumer awareness-raising. The

European Parliament passed several resolutions on Fair Trade (in 1994, 1998 and 2006) and many European ministers and prime ministers have publicly endorsed Fair Trade. Ever more public institutions are serving Fair Trade products and local authorities include fair and sustainable criteria in their public tenders. Thousands of towns, universities and churches have applied for Fair Trade status, committing to promote Fair Trade and to contribute to overcoming poverty and exclusion. Increasingly, representatives from developing countries promote Fair Trade because it enables small and marginalized producers in their countries to live and work in dignity. Fair Trade is increasingly on the agenda of policy makers throughout the world.

## 5 RESULT AND DISCUSSION

The tourism in Bali begins popular as well as the handicrafts, but the craftsmen (the artisan) do not get much benefit. Poverty faces their life, and tourism does not help much. The middleman of trade also takes more benefit from the artisans. On average, a craftsman on Bali earns 950,000 Indonesian Rupiah. For this reason, activist Agung Alit founded a fair trade organization in Bali, which aims to ensure a better income for artisans. Mitra Bali was initially supported by the Indonesian Fair Trade Organization Pekerti in Jakarta, which sold the products abroad. As the result, Mitra Bali has many programs to implement the fair trade principles, there are like giving a soft loan to the producers, built a good toilet and sanitation, create a loan called Cow Advocacy to helps artisan's capital. Mitra Bali see this as a very important program, because most small artisans have difficulties in getting financial assistance, either from banks or any other financial institutions, facing daunting bureaucracies and demands for collateral. Mitra Bali provides cash shortfalls and small business development, such as equipment purchase, raw materials, workshop repairs and upgrade. Mitra Bali emphasized the culture of cleanliness by building toilet and sanitation facilities for some of the artisans. Cow Advocacy is used as the method of Mitra Bali to help artisans in financial emergencies; the cow can useful for borrowing money from neighbors. When a cow, furnished by Mitra Bali, bears a calf, the first off spring goes to the artisans and the second to Mitra Bali, and this cycle continues. Meanwhile, Mitra Bali also gradually held a meeting and gathering with its artisans to discuss new trends, regulations, or hearing their

difficulties. The artisans feel comfort has business relations with Mitra Bali since they can make money through fair trade. Mitra Bali Fair Trade pays an average of 14 percent more for each product than commercial traders. They also can monitor the capital share, benefits, and has the chance to export their products. As their vision, Mitra Bali is an artisan cooperative formed to help independent craftspeople find new markets outside of Bali. The cooperative works only with producers who emphasize gender equality, provide safe working conditions, use environmentally sustainable raw materials, and do not exploit women or children. Since many of their craft are made of wood, Mitra Bali support reforestation by supplying artisans with softwood tree seedlings. As fair trade actor, Mitra Bali Fair Trade promotes the preservation of ancient craftsmanship in Bali and combines them with modern design. The producers receive a reasonable price, which they do not receive on the domestic market. In addition, Mitra Bali also does voluntary social services, there are such as environmental protection, advocacy, lobbying, and promoting. Mitra Bali active in the promotion of women and the renouncement of child labor are essential for the groups with which they work together. Mitra Bali Fair Trade also makes lobbying for fair trade in Bali and promotes ecological awareness, for example organizing seminars for children and young people on ecology. The last but not least, Mitra Bali is one of the activists Fair Trade Indonesia and actively involved in the network of Indonesian Fair Trade Organizations. These fair trade principles and the implementation from Mitra Bali can be regulation's reference to trade in Indonesia. These projects of Mitra Bali have some potential difficulties. As they help artisans and craftman make money by making some fair trade products, they have to keep monitoring to make sure the artisans and craftman do as their standards. But overall, until today, Mitra Bali can overcome all the problems and run the business as well as implemented the fair trade principles.

## 6 CONCLUSION

Implementation of fair trade principles can be seen in Mitra Bali. Mitra Bali is organizations that used fair trade principles to empower the handicraft and jewelry artisan in Bali. And there are programs that Mitra Bali has been doing: giving a soft loan to the producers, built a good toilet and sanitation, create a loan called Cow Advocacy, Mitra Bali also support

reforestation by supplying artisans with softwood tree seedlings, promotes the preservation of ancient craftsmanship in Bali and combines them with modern design. The producers receive a reasonable price, which they do not receive on the domestic market. In addition, Mitra Bali also do voluntary social services, there are such as environmental protection, advocacy, lobbying, and promoting.

## REFERENCES

### Journal

- Amavilah, V. H. S., Asongu, S. A., & Andrés, A. R. (2014). Globalization, Peace & Stability, Governance, and Knowledge Economy. *African Governance and Development Institute WP/14/012*.
- Baffour G., & Amal, M. (2011). Impact of globalization: The ability of less developed countries'(LDCs') firms to cope with opportunities and challenges. *European Business Review*, 23(1), 120-132.
- Elliott, J. (2012). *An introduction to sustainable development*. Routledge
- Julien, P. & Joyal, A. (1994). SMEs and international competition: Free trade agreement or globalization? *Journal of Small Business Management*, 32, 3
- Powell, J. L. (2015). Globalization and Scapes: A New Theory of Global Dynamics. *International Journal of Social and Humanistic Sciences*.
- Wolff, J. A. & Pett, T. L. (2000). *Internationalization of small firms: An examination of export competitive patterns*. *Journal of Small Business Management*, 38, 2, 34 – 48.

### Website

- [http://www.gepa.de/fileadmin/user\\_upload/Produzenten/D ata/Handelspartner-pdfs/AS\\_Indo\\_761\\_Mitra\\_Bali.pdf](http://www.gepa.de/fileadmin/user_upload/Produzenten/D ata/Handelspartner-pdfs/AS_Indo_761_Mitra_Bali.pdf).
- <http://www.serrv.org/product/mitra-bali-foundation/indonesia>.
- <http://en.mitrabali.com/mitra-bali/about-us/>
- <http://wfto.com/fair-trade/10-principles-fair-trade>
- <http://www.un.org/en/ga/president/65/issues/sustdev.shtml>