

Can the Fair Trade Movement Enrich Traditional Business Ethics? An Historical Study of Its Founders in Mexico

*Luc K. Audebrand
Thierry C. Pauchant*

ABSTRACT. As the need for more diversity in business ethics is becoming more pressing in our global world, we provide an historical study of a Fair Trade (FT) movement, born in rural Mexico. We first focus on the basic assumptions of its founders, which include a worker-priest, Frans van der Hoff, a group of native Indians and local farmers who formed a cooperative, and an NGO, Max Havelaar. We then review both the originalities and challenges of the FT movement and its potential contributions to the current theories and practices in business ethics.

KEY WORDS: business ethics, community movement and social justice, traditional and native religions, Fair Trade

Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity (Universal Declaration of Human Rights, article 23, paragraph 3)

While the field of business ethics has progressed much in the last 20 years, it is still largely viewed as Western-centric and focusing on too few frameworks, such as those introduced by Emmanuel Kant or John Stuart Mill (Frederick, 2000; McDonald and Pak, 1996; O'Fallon and Butterfield, 2005; Schwartz, 2005). Several authors have called for more diversity both in the ethical theories and in the practices advocated in order to better address the complexity of our global world (Ciulla et al., 2007; Goodpaster et al., 2006; Pauchant et al., 2002; Samuelson, 2006; Shanahan and Wang, 2003; Taylor, 1989). It is in this spirit that we present in this article the emergence of the Fair Trade (FT) movement in rural Mexico and the birth of the Max Havelaar label, which today

involves several hundred millions of producers and consumers. While a few scientific articles have focussed on some ethical issues related to this movement (Davies and Crane, 2003; Hira and Ferrie, 2006; Melo and Wolf, 2005; Moore, 2004), none has really delved into its historical and philosophical roots. This exploration is in particular relevant for an Anglo-saxon audience, as most of the publications available on this subject are in French, Spanish or Dutch. Further, this lack of in-depth information on the cultural and ethical "basic assumptions" (Schein, 1985) or on the "hyper-goods" (Taylor, 1989) which have inspired the founders of the FT movement can, however, hinder its potential contributions to the current theory and practice of business ethics.

The philosophy and practice of FT has emerged out of a very particular context. At a time of growing opposition towards the two dominant logics of market-driven or government-controlled markets, the FT movement has taken root in small communities at the margins of these two systems. In fact, FT was designed to ensure the survival of the community and safeguard its dignity. In addition, FT is not rooted in Western countries but rather in so-called "developing countries" or the "South". Furthermore, whereas in the modern Western world, the future of the economy is believed to lie not in the industrial sector or even the services sector but, mostly, in the information sector, FT is rooted in the oldest economic sector, agriculture, a sector in which no more than 2% to 3% of the Western workforce participates (OECD, 2005, pp. 16–17). Nonetheless, FT is not anti-modernist, romantic or backward-looking. Today, 2.06 billion men and women still earn their living or subsist by working the land (ILO, 2004, p. 53).

Although the volume of international trade is currently 14 times greater than what it was after World War II, one third of the planet, or more than two billion people, still live below the poverty line. About 1.4 billion people earn less than US\$2 per day. Third World countries often depend on exports of raw materials and crops, such as coffee, sugar, cacao or bananas, which have been declining in price for many years (Hira and Ferric, 2006, p. 112). FT, which constitutes one solution to this problem, is defined as a “commercial network of production–distribution–consumption oriented towards interdependent, sustainable development” (Fretell and Roca, 2005, p. 99). Its goal is to increase equity in international trade, given that today no market can thrive in isolation. Indeed, FT does not advocate increasing charity or financial aid to developing countries; rather, it proposes an alternative organization of international commercial trade. FT allows small producers in the South to access Northern markets, which helps them to evolve from a position of vulnerability and dependence to one of greater economic self-sufficiency, while improving their social and ecological conditions. Internationally, FT products, distributed in over 20 countries in the North, are helping more than one million rural families in 30 exporting countries in the South (Latin America, Africa, Asia, etc.) to earn their living.

The Dutch worker–priest Frans van der Hoff has played a pivotal role in the development of this movement: he introduced the first certified FT product; co-founded the first international FT label, Max Havelaar, and settled in Latin America in 1970. Since 1980, he has been sharing the life of plantation farmers in a small village in Mexico, the fertile birthplace of modern FT. Van der Hoff was named CEO of the Year in Mexico in 2004. He has also earned an honorary doctorate from the Catholic University of Louvain, Belgium; and was decorated as a Knight of the Legion of Honour by the French government.

Frans van der Hoff and the emergence of the Fair Trade movement in rural Mexico

Born in 1939 in the Netherlands into a family of 15 children, Frans “Fransisco” van der Hoff was raised on a farm in very humble conditions. He claims he

grew up “literally under the cows” (Roozen and van der Hoff, 2001, p. 16). His first memories are of World War II: he was struck by the sight of a charred corpse of a German pilot whose plane had crashed near his farm. Drawn to the priesthood, he recalls the austere quasi-military life at the seminary, but admits that it was there that he learned discipline, introspection and meditation. He also noted the rift between city dwellers and the rural population; he himself had been mocked as a “yokel”. Ordained as a priest in 1968, he describes this period as effervescent: Vatican II, the student occupations of universities, large gatherings of the revolutionary left, May ‘68 in Paris, Martin Luther King jr., the opposition to the Vietnam War, etc. Yet he concludes today that “we believed that the simple defence of human rights, justice and democracy would prevail over abuse” (van der Hoff, 2005, p. 55). After studying history, philosophy and theology in the Netherlands and in Germany (Universities of Nijmegen, Heidelberg, Münster and Berlin) and studying economics under Nobel Prize winner Jan Tinbergen, he earned two doctorate degrees in 1970, in political economics and theology.

During his sojourn as a chair holder at the University of Ottawa from 1970 to 1973, he divided his time between Canada and Chile. In Ottawa, while volunteering at a shelter for drug abusers, he realized that some drug addicts come from well-to-do families “as if a whole generation was lost” (Roozen and van der Hoff, 2001, p. 28). In Santiago he worked in the slums, where he noticed the violence between opposing groups and the need to reduce social schisms. It was there that he met Paulo Freire, who taught him the virtues of dialogue and how awareness and education could be liberating for oppressed populations (Freire, 2000). After the “coup d’état” in 1973 led by totalitarian leader Pinochet, he took refuge in Mexico, working in Mexico City until 1980. Although a priest and associated with the Catholic Church, he often publicly expressed disappointment, notably at the Church’s support for General Pinochet or the visits to the slums by bishops in luxury cars. To ensure his financial independence and to fulfil his quest to share the lot of the most disadvantaged workers, he became a worker–priest, labouring as a travelling shoe salesman, jam maker, axle producer at Ford and farmer. After receiving death threats from the secret police

in Mexico City, he moved to Ixtepec in the southern state of Oaxaca, where 80% of the population is native. To this day, he lives among the Zapotec, Miztec, Mixe, Chontales and other tribes.

The birth of the Union of Indian Villages in the Isthmus Region (UCIRI), where the first Max Havelaar product was produced, is itself grounded in the historical context of Mexico (Almanza-Alcade, 2002; Mace, 1998; Norget, 1997; Otero, 1999; van der Hoff, 2005). To promote access to freedom and land ownership after the Mexican Revolution, in the 1910s and 1920s, the government of Lazaro Cardenas distributed land to small farmers and offered significant state support for agriculture. This policy was curtailed by the neo-liberal deregulation reforms of the Salinas and Zedillo governments, which included the NAFTA agreement with United States and Canada. These changes radically altered the living conditions of coffee producers, squeezed on one side by local buyers known as “coyotes,” who bought coffee at the lowest price, and at the international level by price variations triggered by international stock markets and large multinationals. This situation had tragic repercussions in Mexico, the world’s fifth largest coffee producing nation. Coffee ranks as the country’s second most important export product after oil and ensures a living or survival for millions of Mexicans. The state of Oaxaca, one of the most politicized and diverse in terms of native populations, was determined to regain autonomy in this key crop production.

This is the context van der Hoff encountered when he arrived in the south of the state in 1980. He worked for two years in plantations as a day labourer and in 1982 proposed not a solution but a collective problem analysis process based on the dialogue practice of Paulo Friere. After long dialogues, 150 representatives of three villages, including members of native tribes and Caucasians, identified two major problems: debt to the banks and the meagre sale price of their coffee. The analysis revealed that while the “coyotes” purchased the coffee at \$0.25 per kg, its real price including the farmers’ labour was \$0.65. In addition, many bank officers pocketed the debt repayments. In 1983, UCIRI was founded as a cooperative with democratic management, an elected board of directors, representation of all partners, decision making by consensus, etc. By buying a truck, the cooperative could then sell coffee directly

at the port of VeraCruz, without intermediaries, at \$0.95/kg. Systematic follow-up with the banks was also initiated. The reaction of the intermediaries was violent. For almost a decade, they sabotaged equipment and assassinated 37 villagers. The members of UCIRI nonetheless stood their ground, adopting the slogan of “together we will triumph”. They reinvested a portion of their profits in essential infrastructures for their communities (roads, running water, electricity, telephone service, health services, schools, crops for local consumption, such as beans and corn, etc.). They also invested in coffee production (stores, warehouses, roasters, computers, cooperative credit bank, organic farming training centre, etc.).

In 1986, UCIRI decided to produce only *organic* coffee that abides by five principles: protection of biodiversity, waste water management, erosion control, elimination of pesticides and chemical fertilizers, recycling, waste reduction and compost use. In modern agriculture, everything revolves around expansion, growth and increased earnings. By cutting down all the trees and all the bushes, it is possible to plant 10,000 coffee plants on one hectare. Production per hectare is then optimal, but after seven or eight years the soil becomes sterile. On the other hand, organic agriculture tries not to increase but to improve. The small farmers in UCIRI planted 1000–2,000 coffee plants per hectare. UCIRI coffee has not only improved the social situation of the farmers, it has also improved the ecological situation of the region (Roozen and van der Hoff, 2001, p. 47).

All these innovations were particularly well received by the communities because they were consistent with ancestral values of autonomy, democracy and respect for nature. At UCIRI, the values of democracy and ecology emerged from the ancestral values of the native populations and were established communally. In addition, this cooperative considers exporting not as part of strategy of growth and market domination, but as an activity to pursue *after* the basic needs that have to be met to improve local living conditions. For UCIRI’s small farmers, the economic argument is not primordial. The important thing is to leave their children and grandchildren an intact, beautiful Earth. They reject the ethos of perpetual growth and market domination. In their view, *growth* is less important than