

Graduate School of Public and International Affairs
University of Pittsburgh

The Fair Trade Movement: A Fairer Globalization Is Possible

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Ehaab D. Abdou

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Abstract:

Globalization can work for the poor. Global movements such as fair trade, which are in essence advocating a more equitable pro-poor version of globalization, have gained momentum with increased globalization and communication technology advances. The global fair trade movement has a good potential to play a counterbalancing role, unifying efforts under one global umbrella to be able to promote dialogue with the World Trade Organization (WTO) and build strategic alliances with other organizations like the International Labor Organization (ILO). Producing countries also have a big responsibility. In order to be equal partners and fully benefit from such global movements for a more equitable globalization, they need to implement the necessary reforms to render their institutional frameworks more flexible and their policies more responsive to global changes. Special emphasis should be made on promoting private enterprises, especially micro-small and medium enterprises (SMEs), as well as civil society organizations (CSOs) especially non-governmental organizations (NGOs).

1. Introduction:

For some pessimists, and to the discontent of many in the developed and the developing world alike, the failure of the WTO fifth Ministerial Meeting held in Cancun, Mexico in September 2003 symbolized an end to the dream of a more equitable international trading system. Some went as far as calling it an end to a pro-poor equitable globalization. But those failed to see the potential of what was happening very close by to where the ministerial meeting was taking place. Not very far away was a success story being celebrated; the “fair trade” movement. Poor farmers and artisan cooperatives from 24 countries, including the Caribbean, Latin America as well as Ghana, South Africa, Indonesia and India, were participating in “Fair Trade Fair” selling their “fair trade” products and telling their stories.

The global fair trade movement has been expanding and gaining momentum. It has supported the livelihoods of some of the most vulnerable sectors in society in addition to promoting dialogue around an envisioned fair pro-poor version of globalization¹. In a recent independent evaluation, Oxfam², one of the most active international NGOs in fair trade, was found to have achieved an average increase of 28% in the incomes for poor artisans involved in its fair trade initiatives worldwide (Hopkins 2000). However, such benefits have only been maximized by developing countries that have built strong policies and institutions conducive to civil society organizations’ (CSO) formation, organizing and bargaining, in addition to promoting micro-small and medium enterprise (SME) development.

This paper argues that the fair trade movement has the potential to provide a vehicle for poor producers in developing countries to benefit, to open dialogue in international forums about the terms on which trade is conducted, and perhaps to highlight a model for infusing market relationships with human values. For this to be achieved there have to be two parallel processes.

¹ In this paper, the term “globalization” is used to refer to an increased exchange and flow of goods, services, human beings and ideas across national borders.

² Oxfam is a UK-based INGO which is a conglomeration of 12 NGOs in more than 100 countries. In addition to its involvement in advocacy and promoting fair trade, it has had some experiences with managing fair trade retailing shops in developed countries. It has also developed one of the best monitoring and evaluation tools used to certify producers in developing countries. It has developed a very sophisticated system to evaluate organizations involved in the activities of fair trade. One of those tools is a 10-page evaluation form “Fair Trade Principles Monitoring Form” which is divided into two main parts Fair wages in the Local Context and Participation in Decision Making. The form addresses 40 items including fair pay, gender, child labor, etc. Oxfam now leads a “Make Trade Fair” campaign.

First, the fair trade movement needs to be unified under one global umbrella to enable it to maximize benefits, build potentially useful partnerships and promote dialogue. Parallel to that, developing countries need to implement the necessary policy and institutional changes to be able to fully benefit from such movement's prospects in reducing poverty and improving economic growth. The paper starts by defining the fair trade movement, its main actors, achievements, potential as well as criticisms it faces. It then highlights lessons learned from different countries' experiences that have benefited from such movement. The paper then takes a closer look and analyses the case study of Aswan in Egypt, where a huge potential for benefiting from the fair trade movement has not been tapped.

How Current Globalization is not pro-poor?

With increased globalization, the world has been experiencing worsening inequality. This manifests itself in both an increasing number of the absolutely poor and an increasing gap between the rich and the poor. Excluding China, the number of the extremely poor has increased by 28 million during the 1990s (UNDP 2003). In addition, the gap between the rich and the poor has been widening in an increasingly alarming trend. According to UNDP, this gap was about 3 to 1 in the 1820s; it increased gradually to 11 to 1 in 1913, 35 to 1 in 1950, 44 to 1 in 1973 and 72 to 1 in 1992 (Beneria 2003).

Whether this situation is exacerbated or simply left unaffected by globalization is debatable. The basis of the debate lies in the time horizon being examined and whether short-term sacrifices would be compensated for by longer-run gains. It also is a factor of which region is being considered. Globalization supporters argue that the worsening situation is happening mostly in Africa, the least globalized region in the world. The proponents of such argument assert that it is the coastal regions of India and China that have seen the most improvement in development indicators as they traded the most, hence the more globalized the more prosperous. This same argument is used by opponents who argue that with those two countries' large populations, contributing to at least a fifth of the whole world's population, improvements in those two countries' situations only obscure a worsening situation being experienced by most other world's poor.

Globalization has a lot of potential benefits that it could bring to the world's poor given two conditions are fulfilled. First, trade agreements need to be designed in more sensitive terms to

the poor. Second, producing countries need to build better pro-poor strategies, institutions and policies to be able to fully benefit their poor from such international trade arrangements. The fair trade movement and some developing countries' experiences with that provide an excellent case study to understand the intricacies of this argument.

Compared to other alternatives, increases in and improvement of trade conditions has a larger potential to reduce poverty. Smaller changes in trade policies will produce more effective and sustainable leaps towards addressing poverty issues as compared to alternatives such as increasing foreign aid and debt relief. In addition to trade's greater impact on creating jobs, generating income and hence promoting upward social mobility, in absolute terms it is prone to enhance economic growth in larger terms. According to Oxfam (2002), "If Africa increased its share of world exports by just one per cent, it would generate US\$70 billion- a sum that dwarfs the US\$14.6 billion provided through debt relief and aid combined".

2. The Fair Trade Movement:

An Impact Assessment study³ that evaluated Oxfam Great Britain's Fair Trade Program, one of the oldest and largest in the world, concluded that the program has several positive effects on poor producers. The study found that, in some producer groups, income levels of poor producers increased by 45% while in terms of asset accumulation, in some cases, the increase was as high as 78%. Asset accumulation was found to have benefited both households directly, with increased purchases of essential home appliances, as well as productive units, through expansion of workshops with additional machinery and equipment. There was also evidence for improved capacity in those groups through training provided by Oxfam Fair Trade, among other fair trade organizations, mainly in skills developed pertaining to costing, pricing, and product development (Hopkins, 2000).

a. The Fair Trade Movement and its Main Actors

³ The study covered 18 producer groups, mainly for handicrafts, in 7 countries of Asia, Africa and Latin America with the aim to verify the Oxfam claim that fair trade has an impact on poverty and the well being of producers. It focused on four related aspects: income and livelihoods, capacity building, gender, and the environment. Dated as recent as November 2000, it is noteworthy that this is the first Oxfam Fair Trade Impact Assessment study of that size and complexity, since the program's inception 30 years ago.

Fair trade is very different from Trade that most of the world knows, where a transaction is only considered successful if it maximizes profit on the expense of the other party. The Fair Trade movement is defined as "a global network of producers, traders, marketers, advocates and consumers focused on building equitable trading relationships between consumers and the world's most economically disadvantaged artisans". The movement is governed by a set of principles, to foster dialogue and promote "sustainable development" through focusing on those artisans and farmers especially in producing countries (Fair Trade Federation and International Federation for Alternative Trade –FTF&IFAT 2003). A very important objective of the fair trade movement's work is "empowering the artisans and producers to be self-sufficient" (Jaime Albee, personal communication, November 13, 2003). Although it started in the late 1960s, it has only been gaining momentum and growing stronger more recently.

Fair trade has focused on two types of products; primary agricultural produce and artisan handicrafts. These goods tend, as a general rule, to have better poverty reduction prospects. They are labor-intensive sectors and "labor-intensive manufactured exports that generate income and employment for the poor will have more impact on poverty than capital-intensive exports"(Oxfam, 2002). By focusing on those two product categories the movement has ensured reaching the most vulnerable segments of society in producing countries. In many developing countries these sectors employ a large number of poor artisans and farmers and are a source of much-needed inflow of income and foreign currency. For instance, Vietnam's exports of handicrafts currently generate a US\$236 million annually. Seeing the potential growth of the sector, the Vietnamese government has set a target to reach a turnover of US\$1.5 billion and create jobs for 4.5-6 million people by the year 2010 (Asia Pulse 2002).

b. Fair Trade's Potential as a Global Movement

Fair trade has so far achieved formidable results. This fact could be established by viewing four different indicators; number of fair trade organizations, their degree of specialization, current sales volumes, and their forecasted growth.

1. An increasing number of Fair Trade Organizations

The number of fair trade organizations has been increasing. In the US alone there are currently at least 12,000 outlets (FTF and IFAT 2003). In Europe, fair trade goods, mostly food, are sold in more than 43,000 supermarkets (Gamos Ltd, 2002).

2. An increasing degree of specialization

The degree of specialization of some of the fair trade organizations listed above indicates that the movement has grown into a sophisticated network, and a closely-knit web. Four main types of fair trade organizations could be identified. Those are producer organizations, fair trade importers and wholesalers, fair trade retailers, and fair trade labeling initiatives:

Producer organizations are either community groups or cooperatives producing agricultural or artisan handicraft-related items in producing countries, mostly if not solely developing countries. In the handicrafts field, Oxfam classifies producers into 4 possible categories: producer organizations which export their production, NGOs and Alternative Trade Organizations (ATOs) which act as intermediaries to provide services to producers, small businesses, owned by individuals, which export their own production; and export businesses, owned by one or more individuals, providing export services to producer groups (Hopkins, 2000).

The second group constitutes fair trade importers, based in developed countries, import from the producer organizations ensuring that they are being provided fair wages and employment opportunities. The European Fair Trade Association (EFTA) estimates that there are 100 fair trade importing organizations in Europe with four of them having an annual turnover of US\$11 million (EFTA 2001). Those importers, in turn, distribute their merchandise through the third type of organizations; fair trade retailers. Those are either stores or web-based on-line ordering services. They also might have direct linkages to producer organizations.

The fourth type of organizations is the fair trade labeling initiatives. Their main function is to provide standardized licensing or labeling ensuring that a product was produced in “adherence with practices”. As defined by Oxfam (2002), a labeling organization is a “standards body for establishing and monitoring fair trade criteria”. The main coordinating body is Fairtrade Labeling Organizations International (FLO), which is based in Germany and coordinates labeling initiatives in 17 countries in Europe, North America and Japan. These four types of organizations

employ over 3,828 only in North America and the Pacific Rim of which 68% are volunteers and the remaining 32% are paid full-timers and part-timers (FTF and IFAT 2003).⁴

3. Growing Sales Volumes

Although currently fair trade is worth only 0.01% of all global trade, it continues to grow at a steady 5% per year (Bowen 1998). A quick look at sales volumes confirms that fair trade is growing. The sales volume of fairly traded items for the North America and the Pacific Rim regions is estimated at US\$250 million with an increase of 37% over 2001. This growth trend has been sustainable since the late 1990s (FTF and IFAT 2003). In 2001, fair trade products sold in excess of US\$ 310 million in the European market, in a continuous growth trend (Gamos Ltd 2002). According to Oxfam America, coffee sales have more than doubled since 1999, mainly due to the US being granted a TransFair certification (Shayna Harris, personal communication, November 13, 2003).

4. Positive forecasts for growth

There are also positive indicators for the potential and forecasted growth for fair trade products' market shares in developed countries. For instance in Europe fair trade coffee has a vast market to cover. So far fair trade coffee has only gained market shares of 1.5%, 2.7% and 3% in the UK, the Netherlands and Switzerland respectively. While for handicrafts, the market share is still much smaller gaining only 0.2% of the total UK handicrafts market. Given that the UK handicrafts market is expected to grow from 5 billion English Pounds to 5.5 billion English Pounds, there is a large potential for expansion⁵. In Japan, there has also been an increased awareness among consumers and hence increased demand on fair trade products. A 1998 report on Japanese trends noted that although fair trade products could traditionally only be purchased through INGOs, fair trade stores are "cropping up in city centers and other fashionable locations and have been attracting a broader range of customers" (Trends of Japan, 1998).

⁴ Please see illustrative diagram in annex.

⁵ See Annex for forecasted growth of the UK handicrafts market graph (2001-2005).

c. Important Role of INGOs in leading the Fair Trade Movement

INGOS have played and continue to play a very active and essential role in taking the fair trade movement forward. Their efforts have included providing technical assistance to poor producers, promoting good trading policies, advocacy and policy initiatives, and educating the Western consumer about fair trade practices and products.

INGOs' role goes beyond identifying poor producers and promoting good trading policies. Many fair trade INGOs' work entails identifying and reviving local indigenous crafts, many of which are near extinction. In 2000, the Mennonite Central Committee (MCC), a US-based INGO, developed a local group by the name Nilkomol aiming at reviving the traditional indigo powder dye products. MCC is now supporting the marketing of Bangladeshi indigo-dyed handmade paper bags, cards, etc through its Ten Thousand Villages fair trade stores across the US (MCC, 2003).

INGOs also play an increasingly important role in educating the Western consumer about fair trade practices, through different means. The Consumer's Choice Council (CCC)⁶ and the Transatlantic Consumer Dialogue (TACD) continue to support "the right of consumers to be informed about the products they purchase through product labels" through different lobbying and awareness activities (TACD, 2003). Other activities include information sharing about products' origins and benefits like Oxfam's website⁷ educating consumers about benefits of organic honey or MCC's website⁸ creating awareness about effects of harmful practices and how, for instance, deforestation affects woodcarving activities' of poor artisans.

As the fair trade movement develops into a more sophisticated web of linkages, INGOs have also been able to identify their specific niches within fair trade. For instance, Oxfam focuses on advocacy work⁹. Although their main focus remains fair trade, some other INGOs combine this with other causes and objectives. For instance, the RugMark Foundation, a US-based non-profit organization, focuses on child labor and fair pay for rug makers. The foundation aims to create awareness among customers of rugs made through child labor. It has an identifiable logo

⁶ Founded in 1997, the Consumer's Choice Council is a non-profit association of 66 environmental, consumer, and human rights organizations from 25 different countries, dedicated to protecting the environment and promoting human rights an basic labor standards through eco-labelling.

⁷ <http://www.oxfam.org.uk/fairtrad/campanilla.html>

⁸ <http://www.villagesmechanicsburg.com/pages/stories/worldview.htm>

⁹ Source: http://www.oxfam.org/eng/about_strat_mission.htm

that it only attaches to rugs to attest that “no illegal child labor was employed in the manufacture of a carpet or a rug”. It then uses sales proceeds for direct community development programs in producing countries (RugMark Foundation, 2003)¹⁰. Other INGOs combine fair trade concerns with ecological and environmental ones such as UK-arm of the Japanese-based People Tree, which defines itself as a company pioneering in “Fair Trade and Ecology Fashion”. The organization takes pride that its collection is not only fairly traded, but that it is made of raw materials that have been grown organically (People Tree, 2003).

With increased specialization, INGOs are better able to focus on their own mandates and core competencies. The increased level of specialization is what enabled Oxfam in the year 2000 to stop sourcing directly from its producers. Until 2000 it had its own company “Oxfam FairTrade”. But for cost-effectiveness reasons, it has started channeling its handicrafts business line especially through Traidcraft, a UK-based Fair Trade company. The main reason behind this is the inability of those fair trade organizations to compete with “commercial companies who are able to buy in significantly greater quantities” and hence enjoy lower costs and hence higher profits (Gamos Ltd, 2001). This new trend in Europe of outsourcing business to for-profit fair trade companies finds parallels in the US experience, where in 2002 45% fair trade sales were generated through for-profit companies and retailers. This could be a growing trend to overcome the current lack of professionalism (FTF and IFAT, 2003).

d. Fair Trade Movement's benefits from Globalization: Networking and Technology

INGOs, among other fair trade actors, have benefited from globalization, which helped many of them gain momentum and size. “Even the anti-globalization movement went global in 2001” as pointed out by Foreign Policy magazine’s pioneering study on the Globalization Index (Kearney, 2003). The fair trade movement is one of many movements that have found an opportunity to mobilize resources and network with other movements through their membership in the World Social Forum (WSF) of Porto Allegro, Brazil. WSF is the global “movement of movements or the network of networks” which was incepted in 1999, to counter the “neo-liberal globalization” promoted by the Davos’ World Economic Forum. The WSF continues to grow with its second forum in 2002 attracting more than 55,000 activists. Ponniah and Fisher (2003), characterize those different movements engaged in the WSF that “while spatially diffuse, nevertheless share values and a sense of belonging” as part of an “emerging transnational civil

¹⁰ source: www.rugmark.org May 7, 2003

society”. Would such a forum have been possible without increased globalization? Would it have been possible was it not for the emergence of a common perceived enemy being hegemonic globalization dominated by “capitalism, imperialism, monoculturalism, patriarchy, white supremacy”? (Ponniiah and Fisher, 2003).

In addition to the increasing number of global networks such as the WSF empowering and fostering movements such as fair trade, improved technology and communications play an increasingly important role. Increased access to information and communication technology has meant better coordination between and among the different actors in the developing and developed worlds. The use of electronic commerce (e-commerce) is projected to increase by 500% by 2005 improving chances of producing countries’ SMEs for survival and growth (Gamos Ltd, 2002).

Especially e-commerce has been a venue through which enhanced global technology and communication have proven to be useful for the promotion of fair trade. It was mainly in Seattle WTO meeting in 1999 that e-commerce was highlighted as a means for promoting global fair trade, through directly linking producing countries’ farmers and artisans to end consumers. This new recognition has translated into United Nation’s Conference on Trade and Development’s (UNCTAD) inauguration of a new e-commerce branch. Also, e-commerce has been highly profiled by the WTO. In its 2001 Doha declaration the ”WTO E-commerce Work Program” asserted the importance of maintaining an environment “favorable to the future development of electronic commerce” (Development Gateway, 2003).

A successful example of an e-commerce initiative led by an international organization is the *Virtual Souk*. This website¹¹, a World Bank Institute initiative, in partnership with four Middle East and North Africa NGOs, is a good example on how global technology could be put to promote poor artisans’ trade and welfare. The *Virtual Souk* website, selected by UNESCO among the top 50 websites in Africa, was established in the late 1990s. The website offers a virtual “souk” (Arabic for market) that links local artisans, through selected local NGOs, to mostly developed countries’ customers via the internet. On the website the products are displayed, ordered, custom-made and sold. The WBI believes that such an e-commerce initiative helps “demythologize technology and shows how poor and often illiterate women can gain access to the Internet, if supported by a local organization” (Tabler, 2001).

¹¹ www.elsouk.com

Another example of positive effects of improved technology and communication on the lives of poor producers and traders is the Self-Employed Women's Association (SEWA)¹². A recent computerization program has as one of its main objectives to train rural Indian women and provide them with the necessary internet connections, so they can promote their produce and market it widely through cyberspace. The products span a wide range including handicrafts, dairy, poultry farming, quarry work, tobacco, agriculture, etc. Once in place, the program aims to be able to connect its beneficiaries with needed up-to-date skills through distance learning courses. Hence, SEWA has established its own academy, which has among its main objective to "transfer knowledge at the grassroots level" and to build the capacity of its members to "reap benefits of globalization" (SEWA and World Computer Exchange, Inc, 2002).

e. Criticisms to the Fair Trade Movement

The FTF and IFAT 2003 "Fair Trade Trends in US, Canada, & the Pacific Rim" report outlines three major challenges ahead of the movement. These are the need to increase consumer awareness, an increase in the activities of certification (labeling) and addressing unfair competition (FTF and IFAT 2003)¹³. Recognizing the importance of consumer awareness, which is a major prerequisite to increased sales, market shares and hence improved impact of the movement, several fair trade organizations especially labeling organizations been seriously dedicated to this objective. For instance, FTF is working with the Fair Trade Resource Network, its sister organization, to channel resources towards this important priority (Jaime Albee, personal communication, November 13, 2003). As for the trend of increasing unfair competition, the main complaint has been from some fair-trade companies. Those are facing serious competition from non fair trade companies selling similar products gaining higher profit margins due to their ability to manipulate worker wages in the producing countries.

There have been several criticisms posed at the fair trade movement mostly regarding alleged violations of producers' rights, lack of Southern groups' voices, creating unhealthy dependency, and lack of professionalism. Major criticisms relate to fair trade organizations committing abuses similar to those of the conventional trading system, but disguised under

¹² SEWA is an Indian NGO that has been organizing women in the informal sector for the past 25 years with a membership of over 250,000 women.

¹³ This is the second annual report on Fair Trade Trends in US, Canada & the Pacific Rim. This could be an indication of how the movement is better organizing and projecting the future.

different forms or names. Critics claim that, in some instances, NGO employees are as abusive of the poor artisan or farmer as the traditional middlemen would be. While those employees receive their full salaries and benefits, women artisans and farmers are deprived from basic rights and are paid minimal wages. The case of trade of Belgian lace from Indian NGOs has been cited as an example of such exploitation happening under the label of “fair trade”. Some observers have noted that “the lace sells for more than 10 times the production cost, with the bulk of the profit accruing to the European charities and the Indian NGOs”.

Some Southern NGOs and community groups have complained about lack of coordination and their lack of voice in fair trade operations. In this regard, the European Fair Trade Association (EFTA) and the International Federation for Alternate Trade (IFAT) have been heavily criticized by some groups, such as the New-Delhi-based Spandana, for sometimes “neglecting the plight of Indian artisans”. Attention has also been drawn to such issue in the UNIFEM-funded study “*Social Security for Artisans in the Voluntary Sector: Are Human Rights Being Denied?*” (Women Envision Journal, 1997).

There have also been concerns about the unintended phenomenon of creating unhealthy dependency among Southern partners. It was found that some producer partners have a high dependency on one or two fair trade organizations. The dependency is measured by the amount of diversification of purchasers of the producer associations’ outputs. The recent impact assessment of Oxfam Great Britain showed that 50% or more of the handicrafts sales of at least 7 out of 18 producer groups evaluated, were made to Oxfam Fair Trade. In one extreme case of the Filipino BAMPCI group was 100% dependent on Oxfam, while in other cases the dependency was as high as 90% (Hopkins, 2000).

Finally, lack of professionalism, in some parts of the fair trade chain, is a criticism that the fair trade movement faces. In 2002, 68% of all employees in fair trade organizations in North America and the Pacific Rim were volunteers (FTF and IFAT, 2003). This could lead to high turnover, lack of efficiency, accountability or continuity of some efforts. This phenomenon seems to be clearer with fair trade retailing. For instance, all workers in the MCC 10,000 villages outlets are volunteers (personal communication, 10,000 villages Pittsburgh, March 15, 2003). In this regard, there have also been complaints of delayed responsiveness of importing fair trade organizations to requests from developing countries’ producers. According to Patricia Maldonado, of the Inter-American Bank-funded Bolivian Handicrafts “Fundacion Cultural

Quipus” (personal communication, October 17, 2003), the initiative has mixed experiences with two America-based organizations. While Oxfam America responded immediately to an invitation by sending its representatives to Bolivia to visit the artisans and the annual exhibition organized by the project, the MCC fair trade evaluator’s visit usually happens after two years or more after a request for cooperation has been placed. However, this could also be seen as a positive indicator on the growth of the movement and the need to dedicate more resources to respond to the increasing demand.

f. Challenges to the Fair Trade Movement

In addition to some of those criticisms, which could potentially develop into serious challenges facing the movement, there are several other immediate challenges pertaining to lack of developed governments’ support, and lack of access to the WTO. The former is a country-by-country issue while the latter is a more multi-lateral global challenge. First, a major challenge is the ability to fully engage developed countries’ governments. While there have been some positive developments, there is still a long way to go to at least provide the needed incentives to promote fair trade. For instance, Bangladesh has agreements with the EU and Australia for duty-free access on its handicrafts exports (Selima Ahmad, personal communication, October 17, 2003). The same is the case with Bolivia, which along with other Andean countries, receives tax-free and duty-free treatment on its handicrafts exported to the US (Patricia Maldonado, personal communication, October 17, 2003). Similarly, Australia and New Zealand have waived tariffs on fair trade handicrafts from some of the Asia Pacific countries, only made possible through a strong and unified negotiating stand taken by the South Pacific Economic Committee (SPEC) (Henry, 1985).

The policy work on fair trade coffee case in the US has lessons to offer on the size of support needed and need for greater coordination. The case of coffee, being one of the products that achieved some good successes, might not be a typical one, as it has its own advocates for fair trade within the American Congress forming a coalition known as “Coffee Amigos”. This coalition works closely in coordination with active INGOs within the fair trade movement. Although the American government remains reluctant to devise incentives for fair trade coffee, this case highlights the importance of efforts to continue educating and involving policy makers (Shayna Harris, personal communication, November 13, 2003). There needs to be more

coordination and continuous advocacy and policy work requiring developed countries to include more products and countries in their General Preference Schemes (GSPs).

Second, lack of access to WTO, the main multilateral authority regulating trade and setting standards of international trade, poses a fundamental challenge for fair trade in achieving its mandate. In contrast to other regional trading blocs like NAFTA, the WTO remains one of the most “closed organizations to meaningful NGO involvement”. These subjected the WTO to growing criticism demanding an increase in NGO participation in WTO meetings as well as providing NGOs with the right to “participate in dispute settlement... through intervention briefs” (Howse and Trebilcock, 2002). Being mostly comprised of NGOs, such issues not being resolved form a main obstacle in the fair trade movement’s ability to achieve its goals of promoting dialogue and finding the forum to present credible policy alternatives on the crucial issues of trade.

Proponents of a more active role for NGOs within the WTO hope that this will give the poor a better voice and counterbalance the WTO’s flawed consensus-based voting system. There has been heavy criticism of the WTO consensus process of decision-making that nullifies the effect of each member country having a seat and a vote, allowing rich and large countries to overpower other members. In addition to general limited NGO access to formal WTO processes, there has been a more specific concern regarding the lack of representation of Southern NGOs. Although there has been an increasing number of NGOs registered with the WTO, they are mostly representing industrialized countries’ interests. More than 87% of NGOs accredited to the WTO’s ministerial conference in Seattle, Washington in 1999, were from developed industrial countries (UNDP, 2002). This might have strong implications, skewing decisions towards developed and richer countries’ interests, especially in addressing controversial issues of labor and environmental standards, which are of a major concern to the fair trade movement.

Proposed Global Umbrella for the Fair Trade Movement

To begin to address those challenges effectively, and realize its daunting responsibilities, the fair trade movement needs to have a unified global umbrella organization. A unified body improves the fair trade movement’s chances in addressing the major challenge of promoting a dialogue with the WTO. It also allows it to capitalize on potential partnerships and coalitions with organizations such as the International Labor Office (ILO) and UNCTAD, among others. the fair

trade movement has had several successful umbrella organizations such as the TransFair US, TransFair Canada and the Network of European World Shops (NEWS), but those remain either country or regional organizations. There have also been some few global umbrella organizations within fair trade. However, those tend to be representative of specialized organizations within the fair trade movement, the labeling organizations in the case of IFLO.

Having a unified leadership will allow the fair trade movement, for instance, to build potential partnerships with the ILO. There is an emerging trend that INGOs are able to work closely with international multilateral organizations in addressing global concerns and causes. Some INGOS are actually competing with international UN bodies in achieving their own mandates. For instance, the International Standardization Organization (ISO), an INGO, is seen to be “competing” with the ILO in setting international norms in areas of worker protection like “occupational and health safety”. Those are positive indications of the prospects of what a unified fair trade movement could achieve. The example is highly symbolic as it addresses the highly contested and relevant issue of labor standards and labeling. A partnership with the ILO seems readily possible especially knowing that ILO is currently considering the potential for labeling in the labor rights’ context (Howse and Trebilcock and, 2002), a unified global fair trade organization could provide possible synergies with its grassroots presence.

3. Lessons Learned from International Experiences:

The importance of good institutions and policies for successful poverty reduction and development could not be overemphasized. As Amartya Sen (1999) argues, the more impressive results of the Chinese as contrasted to the Indians provide powerful lessons what good institutions and policies could achieve. While China’s good policies have achieved a high literacy rate, good schooling and health care for its citizens, the Indians lagged behind on that. This has translated very clearly in their widely varying experience with gradually transitioning to an open market economy. While the Chinese managed to grow at 9% during the 1990s, lifting 150 million people out of poverty (UNDP, 2003), India’s performance has been much less impressive in terms of poverty reduction especially. This section focuses on the importance of supportive policies and institutions for civil society and SMEs development as major ingredients in successful developing countries’ experiences. The section then ends by focusing on the US Appalachian model highlighting specific needed institutional structures to maximize benefits a handicrafts sector in reducing poverty.

The quality of a country's institutions is the most important variable affecting a given country's economic performance. Using a regression analysis, Rodrik and Subramanian (2003), conclude that among other variables, such as international trade or stronger "integration", the quality of institutions is the "only positive and significant determinant". How countries build good policies and institutions, the authors argue, should be left to each country. The most successful models have been a creative combination of both "unorthodox elements with orthodox policies" (Rodrik and Subramanian 2003). Further, Edison (2003) confirms that devising good policies is a prerequisite for good institutions, proving a strong causal relation between the two. Good institutions are distinguished by three characteristics; "enforcement of property rights for a broad cross section of society... constraints on the action of the elite... and some degree of equal opportunity for broad segments of society" (Acemoglu, 2003).

The need for good institutions on the part of developing countries has been among the priorities of some INGOs in their fair trade campaigns. Many INGOs have recognized and promoted the need for developing countries to adopt good policies. Oxfam International recognizes the importance of good policies for developing countries to ensure that their poorest and most vulnerable benefit from international trade. Thus, one of its main recommendations in the "Make Trade Fair" campaign is for national governments to develop their policies "so that poor people can develop their capabilities, realize their potential, and participate in markets on more equal terms". It also advocates that where good policies ensuring the poor's economic participation prevail, especially in the case of fair trade, "trade can act as a powerful force for change" (Oxfam, 2002).

Success and benefit from the fair trade movement has varied widely from region to region providing important lessons. In terms of sales volumes, Asian countries generally have been among the largest beneficiaries from the fair trade movement. As illustrated in figure 1, at least 46% of the sales generated in North America were for fair trade products imported from Asia. Central America and South America accounted for 35%, while Africa's share remained only 5% (FTT and IFAT, 2003). It could be argued that the fair trade movement's focus on the two product categories skews demand more towards Asia. But on the same premise, it could be argued that Africa's share should be much larger given that its main exports are those very agricultural primary goods such as coffee, tea and cocoa. The Asians' success confirms Foreign Policy's Globalization Index's (2003) finding that Southeast Asia region is among the most

globalized in the world. The region's exports have actually increased by more than 22% since 1995, "a record no other region can match" (Kearney, 2003).

Figure 1: Percentage of Value of Total Sales in the US and Canada markets by Region

Region	Percentage
Asia	46%
Latin America	35%
Africa	5%
Others	14%

Source: FTF and IFAT, 2003

Importance of a Positive Civil Society Policy Environment in Developing Countries

As manifested in the fair trade movement, countries that lack supporting policies and capable civil society organizations (CSOs) in place are losing out on globalization, and the poor are suffering the most. In addition to geographical proximity, this explains why the number of producer groups that export fair trade coffee to the US from Central and South America is 134 cooperatives as compared to only 11 from Africa. Since most fair trade organizations, such as Oxfam, do not have major capacity building components, they prefer to work with strong well-established cooperatives and local NGOs in producing countries. Oxfam America confirms that "the best organized and strongest cooperatives of coffee fair trade are the ones in Mexico and Central America" (Shayna Harris, personal communication, November 13, 2003). Those can only flourish provided the needed policy environment is available.

Even when INGOs embark on capacity building or associations' formation programs they require a local policy that is conducive to freedom of association, collective bargaining, etc. For instance, Yemen, one of the poorest Asian countries and a large coffee producer in the Middle East has no dealings with the fair trade movement (Shayna Harris, personal communication, November 13, 2003). Knowing that Yemen lacks policies and institutions to foster cooperative movement, and strong CSOs generally, explains why a country as poor and as needy as Yemen has not been able to capitalize on fair trade initiatives.

When the institutional framework allows relative freedom to associate and organize, the results have been very positive. Ghana is a good case in point. In contrast with many other

African nations, Ghana enjoys a stable and a relatively more conducive environment for its civil society. This has made Ghana one of the most successful African countries benefiting from the fair trade movement, being able to expand and reach more poor producers. Oxfam (2002) cites the partnership of the Ghanaian Kuapa Kokoo with the UK-based Twin Trading as a major success story. The Kuapa Kokoo cooperative has expanded to comprise more than 30,000 members, spread across the country's "cocoa belt". Through a stable environment Kuapa has been able to plan strategically and expand with one-thirds of its output sold to fair-trade organizations in Europe such as Twin Trading, among others. Twin Trading would pay double the current market prices in addition to a 10% premium that is directed towards health and education of the workers and their families (Oxfam, 2002).

India, the world's largest democracy, is another example of a country where an active civil society has enabled the country's pro-poor fair trade initiatives grow and flourish. Traditionally-woven Pattu cloth is produced in Rajasthan's and targeted to Delhi's middle class. The supply of materials, and designs training are coordinated by local NGOs that ensure that weavers receive one-quarter of the sale price. The Urmul Trust now has a membership of weavers from 170 Indian villages. Another success story from India is that of Fab India. Fab India specializes in handloom products from across the country. Although currently seeking to expand to outside markets, this company generates 80% of its sales, estimated at US\$10 million, in the local urban market, mainly in Delhi and Bombay. It currently employs 8,000 craft producers from across the country (Oxfam, 2002).

Importance of Policies and Institutional Support for SMEs in Developing Countries

Not only have successful developing countries in the fair trade movement generally promoted a wider role for civil society, freedom to organize, etc. They have also set a positive environment for SMEs in the economy. SMEs directly contribute to promoting productive sectors and to improving the conditions of vulnerable artisans and farmers. Among the most successful countries in fair trade sales have been countries that have promoted SMEs. In Indonesia, such success has been induced by the government's long-term vision and policies to support and protect its forest-based woodcarving industry SMEs, while in Thailand efforts focused on linking handicrafts SMEs to global markets via e-commerce and other supportive institutions.

The case of Rattan in Indonesia in enhancing Forest-based Small-scale Enterprises (FBSSE) is one of the clearest examples of how policies effectively enhance local artisans' SMEs. In the 1970s, the Indonesian government followed a two-pronged approach to support the woodcarving handicrafts. First, its export of raw timber was gradually restricted. Second, the government devised policies favoring FBSSEs. For instance, a Unit for Technical Assistance was established in Jepara providing assistance in the areas of production, training, funding and marketing assistance. The establishment of such unit and the services it provided has resulted in an increase in the number of production units from 500 in 1967 to 1560 units in 1986. Similarly, in the Cirebon County region, the Rattan handicraft industry only flourished after the Institute for Research, Education and Social Economic Development provided training and technical assistance to help craftspeople improve the design, quality and management systems. A cooperative of rattan handicraft manufacturers and entrepreneurs was also established. To complement its technical assistance policy, Indonesia also established several credit facilities as well as support institutions. Among those is the Small Investment Credit (SIC) policy, establishing a permanent working capital credit fund. In addition, the National Council of Handicrafts Industries was established (FAO, 2002).

In the cases of Thailand, efforts have been focused on supporting local artisans in gaining access to the global market via e-commerce. In 2001, Thailand's Department of Export promotion set a budget of US\$ 4.39 million to support e-commerce projects. The Industrial Information Center then selected 3 sub-sectors to benefit from such program. Those are SME working in ceramics, handicrafts and leather. Also, the Department of Industrial Promotion set a plan to finance the marketing of the products of the new National Arts and Crafts Center through e-commerce. The Thai government has also made sure to extend the support in the rural areas where such crafts prevail. So, there have been efforts to extend credit-provision services through Rural-Banking expansion, thus reaching the country's poorest artisans. (News Bytes News Network, 2001).

Institutional Framework Maximizes Productive Sectors' Poverty Reduction Prospects

The potential of the handicrafts sector to reduce poverty, a major focus of the fair trade movement, has been documented by several sources, in developing and developed countries alike. One of the best-documented cases comes from a developed country context. In his book, *The Handcraft Revival in Southern Appalachia 1930-1990*, Garry Barker provides a detailed

account of the Appalachian Model, which was initiated in the late 1800s in the United States. The documentation provides clear evidence on the importance of institutions and policies for CSO and SME development as a tool to enhance handicrafts for economic development and poverty reduction. This model makes annually around US\$2 million in net sales. It continues to grow and provides additional income to hundreds of poor families in that region. The successful experience in Appalachia was only made possible with the necessary policy framework and a whole array of supporting institutions in place. For instance, the early stages of the Appalachian handicrafts development movement enlisted the active involvement of already existing institutions. Producers were organized in associations such as the Brasstown Handicraft Association. Research and design institutions such as the Berea College Student Crafts Program designed to produce “college-trained, aggressive, contemporary craft professionals” that gradually replaced “self-taught or family-trained artisans” were also in place. Funding sources were available through local philanthropic foundations such as the Russell Sage Foundation that provided needed support when needed. Additionally, research institutions continue to produce state-of-the-art research in publications such as the “Crafts Report” which was started by the same author of *The Crafts Business Encyclopedia* (Barker, 1991).

Around the world it was the conducive environment for civil society to organize, allowing collective bargaining, has enabled the relevant CSOs to expand to their current size and benefit from the global fair trade movement. The SME supporting policies and legislation, providing for technical assistance and financing facilities, are what promoted successful enterprises producing those traded goods and commodities. Those policies built around productive sectors have allowed them to thrive and benefit more poor producers. Such successful case studies stand in sharp contrast with the countries lagging behind, mostly characterized by highly restrictive CSO laws, weak SMEs supporting policies and institutions, as seen in much of Africa and the Middle East.

4. The Case Study of Egypt¹⁴

¹⁴ This section covers the case study of Aswan, Egypt based on primary research conducted by the author. During the summer of 2003, field research entailed in-depth interviews and numerous field visits to 30 community-based associations, NGOs, and government officials among others in Cairo and Aswan. In addition, the section includes some personal observations. This field research was funded by the University of Pittsburgh Nationality Rooms Award.

Falling at the heart of the Middle East and being the crossroads between Africa and the Middle East, Egypt is a good case in point. With a vast potential, Egypt's lack of involvement of the fair trade movement is characteristic of the country, not fully benefiting from the potential advantages of globalization. This is endemic of the whole Arab region, which is one of the "least globalized" regions of the world. In fact, the Arab world's exports as a percentage of the world's trade have fallen from 10.7% in 1981 to 3.5% in 2001. Similarly, as only 1.2% of Arabs own computers, the Arab world is considered to have one of the "lowest levels of access of Information Technology in the world" (Kearney, 2003).

Inheriting a centrally planned economy from late president Nasser, late president Sadat adopted an "open-door" policy. It was not before 1991 that Egypt embarked on the International Monetary Fund's (IMF) Structural Adjustment Program (SAP) during Mubarak's era. At that time, the Egyptian economy was deteriorating due to many external factors including a sharp decline in oil, Suez Canal, tourism revenues and workers' remittances. All this sharpened the mounting debt crisis (Lavy and Sheffer, 1991). Compared to other countries' SAPs and Egypt's pre-SAP failing economic policies, the SAP in Egypt could be termed a "success story" at least in the short-run. However, there are doubts about the long-run sustainability of those gains as private investments remain extremely low and export growth remains very slow (Zaki, 2001). Egypt has been criticized for slow steps taken to encourage privatization and private enterprise. The main reason a country like Egypt is lagging behind is the lack of institutional framework and policy conducive to organizing and responding to global changes. Egypt has a long way to go to build the institutions and policies needed to provide the necessary support to CSOs and SMEs.

While Egyptian SMEs constitute 98% of all private economic units, produce 75% of all private jobs, providing 85% of total private value-added. Despite this significant role in the economy, at least 80% of all SMEs remain informal, hence lacking the needed support and services resulting in no more than 10% of SME financing needs being covered (Mostafa, 2002). Such lack of support could be attributed to lack of policies and institutions, both of which are remnants of a socialist economy that gave privileges and incentives to large public enterprise over private enterprise. Egypt's socialist legacy, along with other factors has affected both private enterprise development and civil society growth negatively. As Morrisson et al (1994) highlights, this situation is not unique to Egypt, as "in many countries, growth strategy was based on protectionism, state intervention and the extension of the parastatal sector [...] explains the

accumulation of regulations which were increasingly constraining for private enterprises and totally inappropriate for micro-enterprises”.

The legal framework governing civil society in Egypt has not been conducive to a healthy, responsive and vibrant sector. The necessary continuation of economic reforms and support to SMEs needs to be coupled with new policies and institutions providing the necessary support to the Egyptian civil society. The most recent NGO law 184 passed in 2002, after 40 years of the socialist-oriented NGO law, does not qualify to the state’s alleged respect for civil society’s role, transparency, and democratization. It has been criticized mainly for “the extensive power it gives to the Ministry of Social Affairs, its broad language and the introduction of criminal penalties for activists”. The new NGO law allows the state to dissolve any NGO, confiscate its assets and jail its leaders under an administrative ruling from the ministry. Some critics argue that such a measure should only be taken after obtaining a court ruling. In terms of the NGOs’ survival and financial sustainability, although only 5,000 of Egypt’s 16,000 NGOs receive some sort of annual subsidies from the state worth a total of US\$ 10 million (averaging only US\$ 2,000 per NGO), the new law prevents NGOs from receiving foreign funds without prior approval from the Ministry (Oteify, 2002), in addition to placing continued restrictions on local fundraising and local resources mobilization.

Rigid Institutional Framework and Lost Opportunities for the Poor

Such a rigid institutional framework and lack of responsive policies have led Egypt to lose much of its competitive grounds whether in maintaining its local market or joining movements such as fair trade. On the domestic level, as Egyptian micro-enterprises watch foreign products sweeping their market and eroding their market shares, a rigid institutional framework has not allowed those enterprises to survive or respond. One of the simplest, but highly symbolic examples, is that of Egypt’s *fanoos* of Ramadan. Those are traditional lanterns that are sold mainly to children during the Muslim fasting month of Ramadan. These have been produced in Egypt by small workshops, owned and operated by mostly poor craftsmen’s, for hundreds of years since the Fatimid era. This has been a major source of seasonal income for many of those households. In recent years, cheaper Chinese lanterns, with more modern designs and technologies, have left Egyptian *fanoos* Ramadan with only 5% of what was originally a purely Egyptian market (Bortot, 2001). Globally, such lack of institutional and policy lack of

responsiveness has translated in nearly zero sales through the fair trade movement from a country as large as Egypt, with more than 70 million inhabitants.

Potential Benefits for Egypt from Joining and Supporting the Fair Trade Movement

Egypt has several benefits to reap from joining the fair trade movement targeting its poor and overcoming the vulnerability characteristic of its handicrafts sector. Through building bridges and promoting linkages between its handicrafts sector and the fair trade movement, it stands to directly benefit its poor and avoid dependency on tourism solely. Since the country is not a major producer of any of the agricultural commodities on which the fair trade movement focuses, i.e. coffee, tea and cocoa, its best option is to focus on handicrafts and other similar products. The country does have one of the world's longest known human histories with a vast potential to develop and innovate handicrafts.

Through coordinating with fair trade movement, handicrafts proceeds will reach the poor and most vulnerable directly. In Egypt it is poor women, one of the most vulnerable segments of society, who comprise the majority of handicrafts producers. In addition to different initiatives and INGOs focusing on handicrafts, the ILO has recognized the effectiveness of supporting handicrafts' production for the benefit of the urban poor. The support of the handicraft sector is considered "one of the most efficient strategies for the creation of jobs and securing the economic survival of the urban poor". Starting in the 1970s, with the emergence of the informal economy into the economic development debate, small-scale manufacturing has become a priority for the ILO (Meyer, 2000) among other international organizations.

Coordinating with the fair trade movement improves access to international markets and hence decreases dependency on the highly unstable tourist sales. The instability of the Middle East region in general and the country's experience with some terrorist acts has caused Egypt's tourist industry a lot of harm which in turn hurt the handicrafts sector. The size and sales of the handicrafts sector in Egypt remain highly sensitive to and dependent on the tourism industry. Meyer's study (2000) of the sector between 1986 and 1998 observes that the number of Egyptian "handicraft articles manufacturing workshops" rose by almost three times due to the increase in tourist inflows into the country¹⁵. However, from 1990 until 1994, and again in 1997/98 "assassination attempts by militant fundamentalists" opposing the current government caused a

¹⁵ Gunter Meyer's study was based on a survey of 2415 workshops in six quarters of Cairo

sharp decline in tourist visits and hence in the sales of handicraft articles. More recently the new Palestinian *Intifada*¹⁶ and the US-led war on Iraq has caused a dramatic decline in tourism to the country, and hence handicrafts sales.

Current and Past Efforts for Reviving and Developing Handicrafts in Egypt

Although from some recent initiatives it seems the government of Egypt recognizes the importance of developing and promoting the handicrafts sector, efforts have remained highly fragmented and uncoordinated. In general, whether led by government, foreign donors, nonprofits or for-profits, they have largely failed to join efforts with fair trade organizations to market products globally markets to benefit the poor, the main producers of such handicrafts.

Government efforts

In terms of size and outreach, the government projects with the highest potential are the Social Fund for Development's (SFD)¹⁷ Small Enterprise Development Organization (SEDO) and the Ministry of Social Affairs' Productive Families' Program (PFP). The SFD has designed a specific unit for the pursuit of handicrafts in its newly established SEDO which has part of its website dedicated to providing information, advise, and marketing opportunities to traditional crafts' producers. It also provides a free e-commerce service by displaying some of those products for purchase on-line¹⁸. The other program with the highest potential and widest outreach is the PFP. In short, PFP is a micro credit program established by the socialist government in 1964 as a social safety net through the Ministry of Social Affairs. It is a comprehensive mixed training, loan, contract production and marketing system through which it aims to transform underprivileged families to productive units in the society (*PFP will be further highlighted in the specific Aswan context*). More recently, an government initiative under the auspices of the Egyptian First Lady Suzanne Mubarak, in cooperation with the Ministry of Local Communities' Development, to promote handicrafts was put in place. However, it is premature to judge its potential.

¹⁶ Arabic word for Palestinian uprising against Israeli occupation

¹⁷ SFD is a multi-million \$ donor created in the early 1990s to respond to needs of segments of the Egyptian society that were negatively affected by the IMF Structural Adjustment Program. One of its main aims is to create jobs through funding SMEs.

¹⁸ No clear evaluation has been conducted to date of the effectiveness of this website. However, in testing it, the author has had several failed attempts to purchase some items on-line.

Another government initiative worth noting is that of the Craft Market in Fustat, old Cairo. This was a joint initiative between the Ministry of Tourism and the Cairo municipality. Its 40 shops “showcase authentic Egyptian arts and crafts”. However, there has not been enough publicity resulting in low demand on behalf by tourists, the primary target, and locals. However, once the marketing issue is resolved, this market with its current strategic location in the heart of Cairo has good potential for growth. This market has been mainly designed to promote handicrafts and to respond to continuous complaints that tourists and local artisans had “about a marked decline in the quality of authentic arts and crafts” (Business Monthly, 2001). Even though the Fustat market focuses on the local and tourist buyer, they might be potential venues to promote linkages with international markets through fair trade. While, as noted earlier, many other governments take an active role in linking handicrafts’ producers to global fair trade marketing opportunities, in Egypt none of these government projects, with the exception of the SEDO has such an international marketing component. High officials at the PFP are not even aware of the existence of the fair trade movement.¹⁹

Foreign Donors’ Efforts

Although there has been foreign donor funding in the area of handicrafts promotion, it falls short of creating linkages with the global market. Many of those projects were primarily focused on the support and promotion of SMEs by providing access to credit and technical assistance. Few have, however, focused on the promotion of handicrafts as a means for improving income-generation and employment prospects for poor segments of society. In some cases, donors’ handicrafts promotion projects were components within their larger urban or rural development programs. For instance, the Siwa handicrafts project is a component of the Italian Cooperation’s (Cooperazione Italiana) involvement in Siwa oasis and its numerous ecological projects there. Similar in nature is the European Union’s ecological project in the Sinai Peninsula’s St. Catherine project. Another project is the Aga Khan Foundation’s mega project in El-Darb El-Ahmar, one of Cairo’s most prominent Islamic architectural sites and home to some of the most significant historical Egyptian handicrafts including arabesque woodwork, copper work, and silver jewelry.

¹⁹ This was confirmed during an interview with the Deputy Director of Productive Families, Ministry of Social Affairs (MoSA) Cairo (Mrs. Esmat Roushdy, personal communication, June 11, 2003). Ms. Roushdy one of the top officials at MoSA was not aware of the fair trade movement’s existence and its potentials.

Some of the few foreign donors' projects dedicated solely to handicrafts development are those of the German Friedrich Ebert Stiftung (FES). Under its program aiming at "upgrading women's cooperatives in technical and marketing areas", FES funded some handicrafts promoting projects during the period from 1989 to 1992. In 1989, it funded a Fayoum-based women textile production project. In 1990 it funded another project in Sinai to promote Bedouin products for women (Social Research Center, 2003). In 1996 FES has also published a report entitle "Handicraft Productive Cooperative Societies Structure Duties and Future Prospects"²⁰. However, in all those projects, in both cases whether handicrafts development was a component of a larger program or the primary aim of a project, no mechanism to link local producers with global markets could be identified.

Non-profit Efforts

Some non-profits and NGOs have been producing some innovative handicrafts mainly targeting the economic welfare of the beneficiaries, mostly poor women. Among the most significant among those are the Haraneyya carpet-weaving workshops, established by the late Wissa Wassef and the Association for the Protection of the Environment (APE)²¹. Those are examples of two initiatives that have also been able to find connections to the global market, especially the former. The latter produces mostly office supplies and household items made from recycled paper and cloth²². Other non-profits include the Association of Upper Egypt for Education and Development (AUPED), which is the WBI's local partner in the Virtual Souk initiative. Other smaller efforts include the International Red Crescent's and Fat'het Kheir NGO's efforts to revive the Khayameyya traditional patchwork craft.

²⁰The mentioned publication was prepared by Mr. Farag Helmy El Shennawy, and is available in both English and Arabic. FES started co-operation with Egyptian partners in 1976. FES came into being in 1925 as a legacy of the late Friedrich Ebert, the first democratically elected German president. FES is a private and cultural non-profit institution, adhering to the ideas and basic values of social democracy. Source: www.fesegypt.org

²¹ In a field visit to the Ten Thousand Villages, a Mennonite Central Committee-managed fair trade store, in Pittsburgh, Pennsylvania, APE was the only Egyptian NGOs with products displayed. Such contact was established only through purely individual efforts. APE is also one of the few NGOs in Egypt currently exploring e-commerce as a means to market its products.

For-profit Efforts

For-profit handicrafts promotion entities remain focused on tourists and foreign expatriate community living in Egypt. Among those is the EgyptCrafts outlet, which was initially funded by CIDA. This is one of the few outlets that has an e-commerce order on-line website to market its NGO produce to a wider market within the expatriate community in Egypt and to outside markets. Others outlets include Nagada and El Khatoun targeting expatriates and upper class Egyptians. A larger for-profit private project is the Khan el Azezeyya, a replica of the traditional Khan El Khalili bazaar, which was set by a business group mainly focusing on increasing sales of traditional handicrafts by attracting tourists to its more convenient location close to the Giza Pyramids. Another company is the East-west Egyptian handicrafts export company, the owner of which ensures that local artisans are fairly paid and treated. A smaller private initiative is El-Dewe'a company, which was set up to market local artisan's pottery work. All of those efforts remain focused on local markets, namely tourists and foreign expatriates, with very little effort exerted to create linkages with global markets through fair trade. This group is among those with the highest potential to lead the movement in an organized and professional manner.

Case Study: Aswan, Upper Egypt²³

For several reasons Aswan is a good case study. First, it is located in Upper Egypt, the country's least developed region with the highest concentrations of the poor. Second, it has good potentials with its rich and unique Nubian heritage for producing authentic and competitive handicrafts. Third, in Aswan, handicrafts generate income especially for poorer women. While men work in tourism, women's main source of income depends on sale of handicrafts to tourists. Hence, any increase in the trade and sale of such items means direct increases in the income of

²³ Situated 876 Km away from Cairo, Aswan falls to the south of governorate of Qena and falls to the North of Republic of Sudan. Population is approximately 1,800,000 inhabitants majority of who are from Nubian descent,. Aswan is the Arabized name of Sunu, an ancient Egyptian name that was given to this area. The name means a commercial center as it was thriving trade hub at the time.

During several interviews, respondents used the term "repelling province" to describe Aswan depicting the large number of youths that choose to migrate to other urban centers or outside of the country. The most frequently cited reasons being the lack of education, job opportunities and it's the province's dependency on the fragile tourism industry. Due to these reasons, Aswan, and Upper Egypt in general, has been in the spotlight for many foreign donors for the past few years, as confirmed by Mr. Abdel Aziz Ali, Director, Ministry of Social Affairs department, Aswan.

poor women, usually the most vulnerable segments of society. This was also concluded by Anne Jennings (1998) and confirmed by our field research in 2003 that “[Nubian] women earn some income [...] mostly through making caps, necklaces and small bags to sell to tourists” (Jennings, 1998). This is generalizable to most other regions and countries. For instance in Bangladesh, it is estimated that 80% of those involved in handicrafts production are women (The Independent, Aug 2001). Although some of the Nubian heritage has been lost with the internal forced migration during the building of the High Dam, the culture is still maintained to a large extent, although some handicrafts have not preserved their traditional raw materials and authenticity²⁴.

Productive Families’ Project (PFP) in Aswan: A Good Potential

In most successful developing countries, there usually is one major handicrafts promotion organization, whether public or private, that coordinates and promotes fair trade opportunities. In Egypt there is a need for such a coordinating body. According to Ms Selima Ahmad, founder and president of the Bangladesh Women Chamber of Commerce and Industry and Bangladeshi handicrafts association (personal communication, October 17, 2003), the Chamber learnt about a handicrafts fair trade exhibition in Washington, DC through the Bangladeshi Export Promotion Bureau. Such support and linkages for Egyptian artisans seems to be missing. However, this lack of understanding of the fair trade movement may be the result of the lack of outreach activities on behalf of fair trade organizations. For instance, although the Kenyan exhibitors at the same exhibition in Washington, represented the National Council of Women and African Women in Development confirmed the importance of state support, they asserted that there needs to be better information dissemination on the part of fair trade organizations (Yaya Lynn Mary and Margaret W. Mutua, personal communication, October 17, 2003).

Although there are several governmental and non-governmental organizations that were identified through field research and institutional assessment in Aswan, the outreach and capacity

²⁴ With the construction of the Aswan High Dam, in 1963 and 1964 the government resettled approximately 50,000 Nubians to thirty-three villages around Kom Ombo, about fifty kilometers north of the city of Aswan. As compensation, the government gave the Nubians new land and homes and provided them with some financial support until their new holdings were productive. However, Nubians were mostly dissatisfied with their resettlement for several reasons.

Source: Library of Congress Fact Sheet – Egypt

Recently there have been some plausible civil society efforts to maintain the Nubian culture. A publication “Learn the Nubian Language” was produced by the Center for Nubian Studies, Cairo, 1999 (Mr. Sharaf Abdel Kerim, personal communication, July 10, 2003). As self-declared the publication is one of the first attempts to document and teach the Nubian language and its alphabet.

of the PFP make it the most qualified to lead efforts and coordinate efforts in linking poor families to fair trade and other global movements. Beneficiaries of the PFP, from 1992 to 1996 only, were over one million families, many of which were female-headed households with incomes less than US\$20 per month. It has branches all over the country, one for each of the 27 provinces. PFP has also built capacity for dealing with donors. Financing for its lending programs come primarily from three donor sources; the Dutch Aid, SFD and the German Technical Cooperation (GTZ). Realizing the importance of PFP and its branches, and also the extent of the financial problems they face, the SFD approved several loans to these regional branches. The partnership with the SFD is an agreement, through which US\$ 3 million is currently administered by PFP Aswan, attempts to reach the poorer segments of society through micro-credit (Mr. Taher El Sahry, personal communication, July, 9, 2003).

However, PFP has several institutional shortcomings that need to be addressed. First, there is lack of coordination between Cairo and other branches. In terms of handicrafts' development and enhancement, for competitiveness and marketability, one of the main functions of the PFP nationally is to offer technical assistance and updated designs through its "Graphics Designs and Forms Center" based in Cairo. During the field visit to Aswan, MoSA employees complained they have had no new designs or patterns to teach their beneficiaries. In fact, for the past 15 years the Aswan branch has not had any high official visitors from the Cairo-based Center (Ezz Eddin Gasem, personal communication, July 11, 2003). Second, PFP provides very few or no good permanent marketing opportunities. The few ones offered are mainly local marketing opportunities whether in Aswan or other seasonal opportunities in other parts of the country (Eid Abdel Halim, personal communication, July 8, 2003). Third, PFP has been criticized for the limited prospects of growth for its beneficiaries since loans have been predominantly invested in standard and repetitive agro-activities. Although there has not been a comprehensive evaluation of PFP's micro-credit program, it is obvious from the size of loan per family that it does not allow for developing employment opportunities outside the family. So, while it could provide a sustainable income, it does not however fulfill the objective of allowing beneficiaries to grow "to a qualitatively different level" (El-Ehwany and El-Laithy, 2001).

5. Policy Issues:

To be able to maximize gains from globalization in general, and for the country's poor in specific, Egypt needs to implement the necessary policy and institutional reforms to enable SMEs

and CSOs play their essential role in development and poverty reduction. Drawing on the successful models highlighted in section 3 of this paper, the following are important institutional and policy issues that Egypt, and other developing countries with similar circumstances, need to address:

Institutional Needs:

1. *Improve coordination of efforts:* There needs to be a national coordinating body for the promotion of handicrafts, and linking with outside markets. This could take the form of a national marketing research and handicrafts innovation company. This has been an essential component in any of the successful countries highlighted. Such an institution needs to have the flexibility to respond to changing market trends. It would detect changes in global as well as local market needs and preference, communicate and adapt products to suit those. It would also work closely with a Center for the renovation of products and new designs. Such institution's role will be to coordinate between the government, foreign donors, NGOs and for-profits' work. One of its main roles would be to promote marketing. As opposed to manufactured goods, handicrafts do not have an established market demand. The demand needs to be created, a task usually carried out by developing countries' Handicrafts SME or cottage industry organizations (Subramanian et al, 1990). On the longer-run such an institution could be the focal point for certifying, labeling and trading on fair traded items in Egypt and devising strategies to create linkages with the global fair trade movement as well as regional efforts such as AfriDev. This body will also coordinate export activities and facilitate regulations in this regard.
2. *Build Capacity and Restructure the Productive Families' Project:* If done, this could be the focal point for coordination of efforts, instead of creating a new institution. PFP has the capacity, presence throughout the country and has already created a vast network of NGOs, community development associations (CDAs) and more importantly poor families. To increase its efficiency and incentives for penetrating new markets, etc, PFP could also be restructured as a for-profit company-like entity. This is the case with the Bolivian, Fundacion Cultural Quipus' Ananay project, which is set as a for-profit company. As a result of its professional business approach and efficiency, the Bolivian initiative has become the focal point for all efforts and government offices consult with it voluntarily.

3. *Build Research, Design and Development:* there needs to be institutional support and education for artisans like the College example from Appalachia. Much of the handicrafts produced by Egyptian craftspeople not only need technical assistance with improving the quality and design, but also to find creative designs and modern uses. So there needs to be training institutes built and designed to address this need. There also needs to be stronger linkages between the investors, designers and craftspeople to be able to support innovate and improvement of quality and designs for better competition.
4. *Increase the outreach of rural non-farming lending:* The majority of the poor live in the rural areas. To reach out for the poor and maximize the poverty reduction prospects of handicrafts promotion through fair trade, there needs to be a focus on rural lending. There needs to be a better reach out through rural banks and extension officers providing non-traditional and non-agriculture lending to poor artisans.
5. *Improved general Demand-driven SME lending:* there need to be incentives need to be made to commercial banks to partake in this activity. However, to avoid Indonesia's mistake, there needs to be a demand-driven growth of SME lending. In Indonesia the process was made very easy and was not tied with the real demand in the market for rattan and clog products for example. This has resulted in the market's saturation for example with these products and high levels of losses and inventories.

Policy Needs:

1. *Review Civil society law:* As highlighted this law needs to be reviewed to provide NGOs with the necessary incentives and environment to survive, find creative means for poverty reduction, networking with outside bodies and movements, and grow into more effective sustainable institutions. The review needs also take into consideration the importance of encouraging the formation of cooperatives.
2. *Foster Social Safety nets and Support for the informal sector:* Also important for the country to devise new policies and laws to protect those poor vulnerable segment of society, that are mostly employed by the informal sector.

3. *Focus on specific Handicrafts sub-sectors:* There should be a strategy to identify which Egyptian handicrafts could be most competitive and unique in the global market. For instance, Thailand focused on supporting 3 specific sub-sectors with its e-commerce initiative.
4. *Build trust and provide incentives to encourage local philanthropy:* There needs to be enough incentives and tax deductions to encourage local businesspeople to support such initiatives, through organized philanthropy. Foreign donors' support might not be sustainable especially on the longer-run. Therefore, there needs to be incentives, as well as technical assistance provided to local philanthropists on mobilizing their resources towards such initiatives.

6. Conclusion:

Globalization can work for the poor. Global movements such as fair trade, which are in essence advocating a more equitable pro-poor version of globalization, have gained momentum with increased globalization and communication technology advances. The global fair trade movement has a good potential to play such a counterbalancing role, unifying efforts under one global umbrella to be able to promote dialogue with the World Trade Organization (WTO) and build strategic alliances with other organizations like the ILO. Producing countries also have a big responsibility. In order to be equal partners and fully benefit from such global movements for a more equitable globalization, producing countries need to implement the necessary reforms to render their institutional frameworks more flexible and their policies more responsive to global changes. Special emphasis should be given to promoting private enterprises, especially micro-small and medium enterprises (SMEs), and civil society organizations (CSOs).

Fair Trade cycle, organizations involved and estimated numbers in Europe

