

**THE DEVELOPMENT AND IMPLEMENTATION OF FAIR  
TRADE IN PERU: DETERMINANTS, CONSEQUENCES, AND  
CHALLENGES**

by

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## **ABSTRACT**

Fair Trade is a trading relationship between producers and consumers which aims to offer the latter with alternative ways of trading inside the global capitalist system. Thus, Fair Trade implies the implementation of several practices that allow marginalized producers to overcome market constraints and access lucrative international markets, while supporting their sustainable development. These practices include: organizing producers, providing them with resource access, ensuring economic and financial benefits, sustaining relationships, and promoting social justice and sustainability.

The main objective of this research is to describe and analyze the development and implementation of Fair Trade in Peru. This dissertation attempts to establish the framework of this development. It also aims to identify the main factors that have influenced the development of Fair Trade and to examine the ways and the extent to which Fair Trade, through its practices, addresses market imperfections and helps producers enhance their markets.

Hence, an exploratory descriptive design was used employing an embedded single case study. The single case study refers to Fair Trade in Peru. There, two units of analysis were examined, handicrafts and coffee, which aimed to represent the two different Fair Trade approaches: the integrated supply chain and the product certification approach. The research uses primary and secondary sources and relies mainly on qualitative methods, although quantitative methods were also employed while exploring the possibilities of a Fair Trade market in Peru.

Thus, this dissertation found that in Peru, Fair Trade emerged gradually in the 1980s in an erratic context, where external and internal conditions exercised significant influences. The external conditions were increasing economic liberalization, the declining role of governments, the break of international commodity agreements, and the concentration on transnational corporations, while the internal conditions were recession, hyperinflation, and political violence. In the 1990s, Fair Trade thrived in a background of neoliberalism, macroeconomic growth, and increasing inequality. Since the mid-2000s, it is noted that NGOs and Fair Trade groups have been working towards the institutionalization of Fair Trade.

NGOs and the State are found to have played key roles in the development of Fair Trade in Peru. Since the onset, NGOs have been supporting Fair Trade initiatives among poor and rural producers. NGOs like GRESP, the RPCJyCE, along with others, aim to develop a national certification system, and a national market. Unlike NGOs, the government has only recently intervened in Fair Trade through its institution PROMPERU, which has launched a Fair Trade certification system for the textile sector. It is acknowledged, however, that the motive behind this Fair Trade endeavor was to access the advantageous ethical market niche. Therefore, there seems to be two different courses for Fair Trade in Peru. The first is oriented to support marginalized producers and the second is moved by economic interests.

Regarding Fair Trade practices, the studied handicrafts producer groups have been able to establish structured organizations which have allowed them to eliminate intermediation and reach quantities needed to export. They have gained resource access through clients' prepayments and have developed adequate

payment systems. Furthermore, economic benefits in the way of improved payments have allowed them to improve their living conditions. In the case of the coffee cooperative analyzed, it was found that clients guarantee loans and provide prepayments, and that the economic benefits achieved through minimum prices and premiums are being used in the implementation of different projects. In this case, a payment system adequate for producers has also been established along with sustainable practices. It is concluded, however, that the organization of coffee producers into a cooperative cannot be accredited to Fair Trade.

The analysis of the market shows that the main destinations for Peruvian Fair Trade products are the European Union countries and the USA, and that in a sample of prosperous, educated consumers from Lima, Fair Trade is recognized and would be positively accepted. Lastly, this study puts forward some recommendations. Accordingly, the institutionalization of data collecting methods and the convergence of Fair Trade organizations and the State are most important, if Fair Trade is to continue growing.