



Free vs. Fair Trade 101

Use this resource to help differentiate between free and Fair Trade and educate others in your community.

What is free trade?

- **Free Trade** describes the economic theory that international trade should be left to flow freely, without government intervention in the form of tariffs, quotas or other restrictions.
- Free trade allows the market to reach **equilibrium**, the point where supply meets demand.
- The theory of free trade refers to the **free flow of goods** between countries, allowing countries to focus on producing goods that they can produce efficiently relative to other countries.
 - For example, Brazil is the biggest coffee grower and exporter in the world, an industry in which they choose to specialize because Brazil has a lot of arable coffee land. Brazil can then trade with countries that do not produce coffee but produce goods that Brazil does not. In the end, all trading partners have access to any good they may require.

What is Fair Trade?

- Fair Trade is **market-based** because it relies on a combination of businesses and socially-conscious consumers to support the movement by purchasing Fair Trade products.
- Third-party certifiers develop and certify against rigorous **social, economic and environmental standards**, with regular audits to ensure the standards are being met.
- The primary third-party certifiers in the U.S. are Fair Trade USA, Fairtrade America and IMO's Fair for Life label. In addition, Fair Trade verification is conferred by the Fair Trade Federation.
- Economic, social, and environmental standards provide sustainable livelihoods, promote safe and healthy working conditions, protect the environment, enable transparency, promote gender equality and empower communities.
- More information is available in this **Fair Trade 101** guide: bit.ly/FairTrade101.

How is Fair Trade different from free trade?

- Fair Trade ensures that producers are treated ethically and fairly compensated for the work they are doing, without placing restrictions on the global flow of goods.
- Free trade primarily affects corporations and businesses that are responsible for importing and exporting, whereas Fair Trade impacts producers and their communities.
- Fair Trade creates change by enabling financial and social empowerment through sustainable livelihoods and community investments. Free trade uses market forces and government policies to achieve similar goals.

Why do we need Fair Trade?

- The market does not guarantee equitable compensation and fair, ethical and just treatment of producers.
- Fair Trade provides economic stability and sustainable livelihoods. In addition to their wages, farmers and workers receive a Fair Trade Community Development Premium that allows for investment in community development projects, benefitting their families and surrounding communities.
- Fair Trade encourages sustainable production and environmental protection.

