

## The effect of Fair Trade on ethnic minorities: evidence from a field study in Vietnam

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**Summary.** The study has compared a number of economic and social well-being indicators for two randomly selected samples of handicraft producers affiliated versus not affiliated to a fair trade organisation. The producers belonged to Vietnamese ethnic minorities. Fair Trade did not significantly affect the earnings of members, because the production of handicrafts is always a side economic activity. Nevertheless, FT affiliation appears to be positively related with some important gender-sensitive, social and human capital variables.

### *L'effetto del commercio equo e solidale sulle minoranze etniche: evidenza da uno studio in Vietnam*

**Riassunto.** Lo studio ha confrontato una serie di indicatori di benessere economico e sociale in due campioni di produttrici artigianali, dei quali uno apparteneva a un'organizzazione di commercio equo e solidale e l'altro no. Le partecipanti allo studio appartenevano a due minoranze etniche vietnamite. Il commercio equo e solidale non ha influito in modo significativo sui guadagni, dal momento che la produzione artigianale è sempre un'attività economica collaterale. Tuttavia l'affiliazione al commercio equo sembra influenzare positivamente una serie di importanti variabili di genere, sociali e di capitale umano.

### Introduction

#### *Fair Trade*

Fair Trade is an alternative approach to international commerce based on the connection between socially responsible consumers in the north and marginalized farmers and artisans in the southern regions of the world. It aims to promote socio-economic inclusion of the latter through a package of benefits which include anti-cyclical mark-ups on prices, long-term relationships, credit facilities and business consultancy. Since poverty

is often considered to be the end result of a set of conditions such as lack of market access, insufficient productivity and low bargaining power, fair trade circuit provides producers with the tools that allow them to overcome these weaknesses and climb higher on the value chain.

The relationship between producers' organizations and importing organizations (named Alternative Trade Organizations or ATOs) is governed by the ten principles prescribed by the World Fair Trade Organisation (WFTO): i) Creating opportunities for economically disadvantaged producers; ii) Transparency and accountability; iii) fair trading practices; iv) Payment of a fair price; v) Ensuring no child labour and forced labour; vi) Commitment to non discrimination, gender equity and freedom of association; vii) Ensuring good working conditions; viii) Providing capacity building; ix) Promoting fair trade; x) Respect for the environment.

An increasing amount of literature suggests that fair trade does have a positive impact on the life of its beneficiaries not only in the most expected way, that is through the price premium, but rather by the effect of the other criteria applied in the fair trade relationship (capacity building, time and price stability, pre-financing...). These results appear consistent with Sen's capabilities theory<sup>1</sup>, depicting fair trade as a kind of commercial relationship able to increase producers' capabilities and, consequently, their inclusion in the market.

The present empirical analysis aims to provide new evidence about fair trade impact, with particular reference to the inclusion of ethnic minorities in this value chain.

#### *Craft Link*

Craft Link (Centre for Handicraft Research, Linkage and Development) is a Vietnamese not-for-profit, fair trade organization started in 1996 by international NGOs, whose main mission is helping traditional craft produc-



*Pigs fight when eating, but unite when a tiger comes*

Hmong saying



ers to revive their culture and improve their livelihoods through handicraft production and marketing. At the moment it works with 63 artisan groups all over Vietnam, meeting basic fair trade criteria; it gives preference to producers who are marginalized or disadvantaged, such as ethnic minority people in remote areas, street children and people with disabilities. Beyond the trading partnership, Craft Link<sup>2</sup> carries out many development projects to support its target artisan groups, providing training and promoting products on the international and national markets. 60% of the export sales is realized on the fair trade market, supplying European, American and Australian ATOs.

This survey particularly concerns producers groups in the communes of Ta Phin and San Xa Ho, located in the mountainous northern district of Sapa, in the Lao Cai Province, bordering with China. These groups supply Craft Link with typical embroideries. The embroidered motifs on Hmong clothes signify aspects of their material and symbolic culture, taking the form of geometrical representations of animals as well as plants or objects. The skirts are believed to link a woman to her ancestors, constituting an important aspect of identity<sup>3</sup>.

As all the artisans are women belonging to the ethnic groups known as "Black Hmong" and "Red Dao", this case-study gives us the chance to see how fair trade performs with women belonging to ethnic minorities.

### *Vietnam ethnic minorities*

Vietnam is an ethnically diverse society. The Kinh ("lowland Vietnamese") majority, which accounts for over 85% of the population, co-exists with 53 smaller ethnic minority groups<sup>4</sup> that constitute the poorest, least educated sections of Vietnamese society<sup>5</sup>. They are dispersed throughout the country, inhabiting wide portions of the midland, coastal and mountain areas.

Hmong and Dao people, who form respectively one half and one quarter of the population of the Sapa district, are both ethnic groups native of China who migrated to northern Vietnam (but also to Burma, Laos and Thailand) in different historical periods and along different routes, mainly between the late 1700s and early 1800s, probably to escape from Chinese persecutions.

The main activities of the Hmong and Dao, since they arrived in Vietnam, is agriculture, but they have always demonstrated a very good adaptation capacity to incoming economic opportunities. Michaud and Turner<sup>6</sup> trace Hmong and Dao economic evolution through the Sapa marketplace history. During the French occupation (1885-1945) Hmong and Dao people began selling handicrafts to the Europeans who were spending summer in the district, but this market disappeared when the war broke out. Between 1960 and the 1990s their economy was tentatively re-organised coherently

with the national agricultural collectivisation scheme but never with a complete integration into the national system. In the early 1990s the bans imposed by the State on forest cutting and opium poppy cultivation severely affected the Hmong and Dao economy, eliminating two important income sources, but the re-opening to foreign tourism in 1992 revitalized the demand for traditional handicrafts and trekking guides, increasing trade opportunities.

The authors call this flexibility and ability to adapt a 'weapons of the week' strategy<sup>7</sup>, paraphrasing Scott's<sup>8</sup> 'weapons of the weak' model (1985), and referring to the capacity of implementing or discarding an economic choice depending on the opportunities that arise at any moment, week by week. Moreover, through a number of well documented surveys, they conclude that the ethnic minorities in Sapa consciously choose to refuse to engage further in the market economy, preferring to develop a mixed economy based on semi-subsistence agricultural production complemented by a few subsidiary business activities. Additional income deriving from the tourist trade or cash crops (such as orchids and cardamom) remain minor compared to the subsistence side of their activity that remains superior in terms of the hours and effort dedicated.

This model, which attributes to Sapa's ethnic minorities a relevant agency about whether or not to integrate into the market economy, appears rather original compared with the mainstream thinking that describes 'ethnic minorities' marginalisation' as a 100% passive status, basically caused by the lack of access to power<sup>9</sup>.

Our survey will try to offer more evidence about, verifying if fair trade could constitute a "gentle approach" to the market while respecting the ethnic minorities' way of life.

### **Methods**

We compare a number of economic and social well-being indicators for two randomly selected samples of handicraft producers affiliated and not affiliated to the FT organisation. We start by looking at descriptive statistics and confidence intervals and then move, for some selected variables, to the econometric analysis.

In October 2011, 212 Hmong and Dao women were interviewed in the communes of Ta Phin and Xan Sa Ho (Sapa district). Half of them were members of producers groups joining the Craft Link network (target group), half are not involved in any fair trade circuit (control group). The questionnaire is composed of 45 questions investigating demographics, product sale conditions, monetary and non-monetary sources of income, food consumption expenditure and dietary quality, schooling years and working status of household members, various

social and capability indicators, subjective measures of price satisfaction and living condition satisfaction, as well as social capital indicators. Interviews were carried on by use of professional translators at the organisation branches or door to door (for the control group).

## Results

### *Full sample*

The sample is well balanced with 60% Hmong - 40% Dao and 50% Craft Link members and 50% independent producers. Average farmers-artisans' age is 39, ranging from 16 to 78. Most of the women are married and have an extremely low education level: the average number of years of formal education is only 2, with 66% of the sample not having received any education at all. Every ethnic group speaks its own language, 46% speak Vietnamese and only 19% English. The size of families is quite large with 6.4 people per household and 3.6 sons each.

Moving to economic wellbeing, a number of variables measuring the number of times visiting the health center, the total expenditure for food, the consumption of meat and fish, having been in other regions or countries are in line with expectations about a relatively poor rural area of Vietnam. Only 13% of the people were able to save money in 2011. The average number of years of experience as an artisan is 28; therefore, since the average age in the sample is 38, this means that women start having the first contact with handicrafts at the age of 10 in the family, usually learning how to sew from the mother (74%). The main source of income comes from agriculture (7,548,623 VDT), especially cardamom and secondly orchids, while rice and corn are mainly self-consumed or used to swap goods. Handicraft production is a side activity (1,441,085 VDT), while other sources of income from both the husband and wife provide an important contribution to the family budget (3,500,755 VDT). Handicraft income is composed of sales directly to the tourists (70%), sales to fair trade (28%) and sales to other buyers (typically local middlemen) that amount to only 2% of the total. The share of Fair Trade handicraft sales over the total family income is 20% for the organisation members.

Turning to psychological and social variables, 70% of respondents declared to participate in the decisions concerning the use of family income, the level of happiness is relatively low (5.45), while the percentage of women declaring to participate in the decisions concerning small, large and children's education expenditures ranges from 74 to 89%. Slightly less than half the sample voted during the last political elections, 58% participated during the year in some communal meetings and only 11%

asked to speak during the meetings. Seniority in the co-op ranges from 1 to 20 years with an average of 9.69.

### *Treatment vs control*

In line with the previous paragraph, non-members have a better knowledge of the English and Vietnamese languages, which facilitates sales to the tourists. For those who cannot access the market of tourists, FT organisation membership is likely to be the only way to sell their handicrafts, as the share of the sales to other buyers is almost negligible for the entire sample. Total income and economic wellbeing appear to be similar: given the relatively small share of income coming from the handicraft activity and that those who speak other languages can access the wealthy market of tourists, this is not unexpected. However, even if the total family income is the same in the two groups and members are relatively less educated, the share of respondents declaring to have a direct involvement in the family budget decisions is higher among Craft Link members.

### *Econometric analysis*

In order to measure the contribution of Fair Trade, net of other confounders, we have to perform a regression analysis.

We can see that total family income and affiliation to the Fair Trade organisation have a positive and significant effect on happiness. Membership appears to have a positive impact also on both the control over the use of family income by the women and their contribution to the decisions concerning major expenses. In these two (similar although different) specifications, FT affiliation is the only stable regressor.

Although affiliation does not significantly affect the passive participation in the political elections (voting) and meetings (participation in meetings), it positively influences the probability to take the floor during the latter. It should be noted that the share of women who declared to have asked to speak during communal political meetings in the course of the year is 0.15 for the treatment and 0.7 for the control sample: when performing a regression analysis, the effect of Craft Link affiliation, net of age, total income and other confounding factors captured by the constant, becomes positive and significant. Participation in the co-op meetings increases self-confidence and develops the ability to show their beliefs in front of an audience.

## Discussion

Consistent with the "weapons of the weak" model by Turner and Michaud<sup>7</sup>, we noticed that in our specific Vietnamese sample, Fair Trade does not significantly af-

fect the earnings of members, because the production of handicrafts is always a side economic activity, agriculture and other sources of income being preponderant. Nevertheless, FT affiliation appears to be related with the involvement of women in the economic decisions of the family.

The variables that are more affecting the decision to affiliate with the fair trade organisation proved to be age and English language knowledge, because they both influence the capacity to relate to the tourists, respectively from a physical and a cultural point of view. In this sense, considering that the share of the sales to local middlemen is almost negligible, we can conclude that fair trade is the only market opportunity for artisans who are unable and/or not willing to sell to the tourists.

The econometric analysis demonstrates that also if the participation in the fair trade value chain does not have any significant economic impact on the ethnic minorities life, it is still able to influence, net of other confounding factors, some important and very gender-sensitive social and human capital variables, such as self-declared level of happiness, the participation in the decisions concerning the family expenses and the ability of self-expression during communal meetings.



Dao women at work. Photo by Marco Costantino.

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