



## ***Fair trade in China***

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***With almost a quarter of the global population and approximately 10% annual growth over the last 20 years, China has become the foremost power at the beginning of the third millennium.***

***A few decades ago the country was making headlines for endemic poverty and deadly famine whereas now it is the El Dorado of global investors and manufacturers and one of the major holders of foreign currency reserves. A middle class has emerged over the last years which closely resembles Europe and the United States in terms of buying behaviour. This change, which is both cultural and economic, goes hand in hand with new demands from younger generations, which are sensitive to social and environmental issues. Against this background, interesting fair trade initiatives have emerged in the Middle Empire. Read on to find out more about fair trade in China.***

### ***Hongkong, the beginnings of the movement***

Hong Kong was a British colony for almost a century and a half before the peninsula was transferred to the People's Republic of China, which turned it into a Special Administrative Region (like Macau).

This special status, which suits the One China, Two Systems principle, provides free and open legislation that have made Hong Kong the richest region of China, a global financial centre and the country's economic and commercial showcase .

This is where China is most open to the world and where in 2002 Oxfam launched its first fair trade campaign with the slogan "Make Trade Fair". Fair trade initiatives emerged on the peninsula next.

In 2003, a first commercialisation network was set up ("Just Java" certified by Transfair) and in 2007 a local coffee brand ("Fair Taste") was fair trade labelled. Since then, fair trade activities have multiplied in Hong Kong, where more than a hundred sales points now offer about 270 certified products.



## ***New initiatives emerging on the continent***

On the continent, things went a little differently. The first projects appeared in 2001, a few years after China joined the World Trade Organisation.

From the foothills of the Himalayas to the Amur River, fair trade initiatives can be found throughout most of China and involve several communities and ethnic groups.

Often, these projects were initiated by foreign fair trade operators, who want to boost the quality of local production and traditional know-how (especially from minority ethnic groups), both in agriculture and crafts.

Production targets exports and western markets. Steps to become certified have encouraged local producers' groups to set up cooperatives and develop transparent and democratic management structures.

27 operators are Fairtrade certified throughout the country. These are mainly producers or traders of tea, but also of soy, nuts, honey, cocoa, apples, vegetables and mint. The development potential of fair trade in China is huge. However, its presence and reach remain modest, especially inland, where the system is hardly known.

## ***DOFTA – The Dazhangshan Organic Tea Farmer Association***

**In 2003, DOFTA was the first organic tea producers' organisation to be Fairtrade certified. The association brings together all stakeholders of the tea growing and processing value chain (planters, producers and processors) in the mountain region of Da Zhang Shan, southwest of Shanghai.**

Green Sencha tea is grown here in the misty highlands (between 600 and 1600 metres). It is known for its bitter taste and its exceptional nutritional qualities.

The producers' organisation first became famous for the organic tea it has marketed in Europe since 1997, particularly through the Jiangxi Wuyuan Dazhangshan Organic Food Co. Ltd, an exporter to which DOFTA belongs.

**The transition to organic production soon started to bear fruit and the association used part of its resources to acquire tealeaf processing sites.** In particular, a network of primary plants, located in the villages, is used to dry fresh tealeaves.

These investments were complemented by setting up a secondary site where the dried leaves are sorted for quality and grade before being conditioned and made available to the central exporter.

DOFTA won fame for the quality of its product, which has received several awards. In 1998, or exactly a year after organic certification, the tea of the Dazhangshan growers was listed as one of the 30 "green" food products of reference, and two years later it was listed as one of the 10 best teas of Shanghai.



Organic Senscha tea © Dan Greuel / CC

**The organisation's focus on fair trade was an explicit demand of one of its European customers, i.e. Naturkost Ernst Weber GmbH, a Bavarian organic and fair trade importer and retailer, which financially and technically supported the Fairtrade certification, resulting in a better price.**

**Today, DOFTA brings together some 4,070 families (or approximately 14,000 people) that are organised in local groups. Their representatives are elected democratically to manage the collective activities of the communities. This includes deciding on what the Fairtrade Premiums will be spent.** Priority goes to education. Achievements include the construction of a dormitory for one of the region's schools (which saves 300 pupils several hours of travel), the establishment of an information and documentation centre within a high school, and the creation of a scholarship system for the growers' children, which has allowed 300 children to go to school.

## ***Xuan En Fair Trade Organic Cooperative, ancient know-how***

The "Enshi Yulu" green tea from Hubei Province, in central China, has been renowned since Antiquity. According to writings dating back to the West-Jing dynasty (3rd century CE) "teas of superior quality have been grown in the 7 districts of the Wuling Mountains" since the 3rd century BC. This region on the heights of the mighty Yangtze River banks has a subtropical continental climate.

In the 17th century, during the reign of emperor Kang Xi Qing, a grand master of tea invented a special table to roll and slowly process tealeaves with steam, allowing tea to be stored with all its aromas. The thus prepared green tea of the Wuling Mountains became famous for its unique needle form and its stronger fresh taste. The story goes that one century later emperor Qian Qing Long liked this tea so much that he honoured it with his calligraphy insignia, a rare honour that assigns "imperial tribute".

The ancient know-how has not been lost. In China's inland the Xuan En Fair Trade Organic Cooperative was founded in 2005. It was established with the support of western commercial partners (American Rishi Tea) and immediately organised around a social community project, the main aim of which was to improve the living conditions of local farmer communities.

Fair trade certification came in January 2007, which allowed an investment in a processing unit inspired by the ancient steam technique used for processing tealeaves.

The cooperative's product gained fame, worthy of its prestigious predecessors, and opened the door to Europe and the United States. Fair trade was very advantageous for some 2,300 families (or almost 8,000 people) involved in this adventure.

The Fairtrade Premiums were invested in the community, particularly in health and education projects:

- The construction of a general hospital and a pharmacy as well as the purchase of mobile health units for interventions in remote mountain areas where the poorest members of the cooperative live. The salaries of the medical team are also funded thanks to the Fairtrade Premiums.
- The creation of a special education fund that finances (high school and university) school costs of children from the poorest families, as well as their journeys and food.
- The construction of roads for easier access to drying facilities for the most remote communities.
- Improved drinking water installations in villages that are poorly supplied.



*April 2012, Provincie Hubei - © Tauno Tõhk / CC*





Farmer community - Mongolia (China) - © ILRI/Stevie Mann / CC

## ***Jurihe/ Zhaluteqi Nature Village Farmer Association***

Located in the country's North, Inner Mongolia is the third largest region of China. Winters are very long and cold and summers only last a few weeks and are hot and humid to the point of stifling. The immense steppes that border the state of Mongolia are far away from the wealthy and well-developed cities of China's South-east that contribute most to the economic boom. In Inner Mongolia, which is home to some 50 ethnic groups, poverty is such that access to basic health and education services is a privilege. Children lucky enough to go to school often have to walk for hours.

In this region, which is iconic for the underdevelopment affecting all of China's remote populations, one of the most interesting fair trade initiatives in the country emerged.

On more than 2,000 hectares of land, some forty families started an association to produce and commercialise their crops of beans (Adzuki, Kidney and Mung varieties), organic soy beans, Leguminosae and groundnuts. A significant part of the association's production was Fairtrade certified in 2009.

In this tough environment, choosing for fair trade offers good prospects to rural populations, says one of the managers of the DunHua Dewei Organic Products organisation, which the farmers' association belongs to.

"Our community works in the poorest rural area of China, where geographical and climate conditions are really tough. Some of the association's farmers struggle to survive and provide basic education to their children. We have already addressed several of the urgent issues that

they face but most producers are young and lack the capital to invest. There is still a lot that needs to be done to change and improve matters. We are very happy with our fair trade certification, which helps us to bring about change together."

The Jurihe/ Zhaluteqi Nature Village Farmer Association decided to invest in education and offer prospects to the youngest generation. The Fairtrade Premiums were chiefly invested in the construction of a school and the purchase of books and school materials.

## ***Danyun Fair Trade Development Co Ltd.***

**The story of the Danyun Fair Trade Development Co. Ltd. started with its establishment in 1996. Mrs Bitten Høgh, from Denmark, established an agency specialised in supporting foreign companies that aim to settle in the Yunnan Province in China's South-west.**

At the time, the company aimed to optimise the prospects of its clients by protecting their investments and maximising their profits. Marketing consultancy, translations, managing cultural exchanges... the range of services offered covered all needs of western companies in search of local partners and outlets.

At the beginning of the new millennium, the company shifted to a humanitarian and social approach and created the Threads of Yunnan brand, which commercialises women's crafts of the province's countryside. The resources generated by these sales benefited the craftswomen who, in addition to a fixed income, received schooling and health services.

Soon, the organisation adopted fair trade principles and in 2001 became a member of the World Fair Trade Organisation, of which it is the sole Chinese member. When it changed its approach the company adopted a new name, i.e. DanyunFair Trade Development Co. Ltd. For commercial purposes, the company develops e-trade sales strategies for its artisanal creations ([www.danyunfairtrade.com](http://www.danyunfairtrade.com)).

From a social viewpoint, it set up two main projects. The first project aims to help women of the Tianxin district improve their living standard by fostering their traditional embroidery know-how. In this respect, Mrs Bitten Hogh's company manages craft sales at fair trade conditions and ensures decent incomes for the women. But it also provides technical support, training and networking services. The second main project supported by the company relates to the production and commercial support of organic tea. It benefits producers from the Tianxi and Menglian regions, which are among the poorest and most isolated of the country.

The Danyun Fair Trade Development Co. Ltd. not only commercialises tea but also reinvests a significant part of its profits in community development and the empowerment of women. Few women in this region have had any education. The company provides basic literacy classes and courses in household finance management and nutrition and hygiene as well as cooperative management.

## Shokay

The fair trade project of the Shokay company is one of the most original projects in China. This initiative originated halfway the first decade of the millennium from an idea of two young Harvard social business school graduates.



Yak wool is used for the textile products of Shokay  
© Ludovic Hirlimann / CC

It aims to create and commercialise textile products woven of yak wool, a fibre that is known for its warmth, comfort and multiple applications.

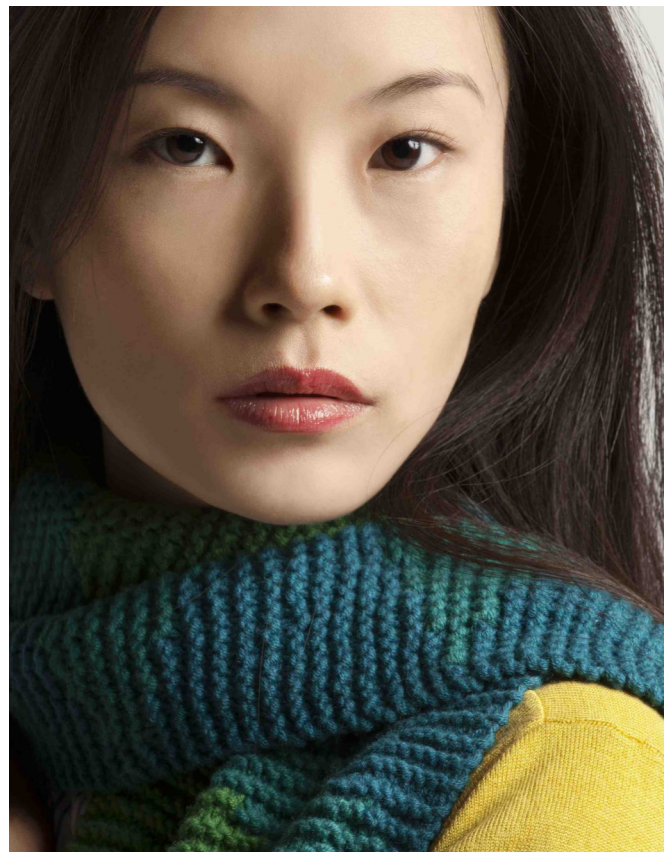
In 2006, Carol Chyau and Marie started this adventure in China's West as they looked for inspiration for their social enterprise initiative.

The idea came in Tibet, where they noticed that many Tibetan families were poor even though they had impressive herds while elsewhere in the world demand was on the rise for traditional, natural quality textiles created with respect for fundamental human values.

Carol Chyau remembers those early days: "After having explored several ideas, we decided to work with yak wool. All we do relates to the yak: we purchase our fibre in Qinghai in western China where we get the raw fibre and then it goes to the knitters on Chongming Island near the Shanghai coast. Then we commercialise our products to Shanghai boutiques and in Peking, but also overseas and on the internet."

The project did not get off the ground immediately and the young entrepreneurs encountered many obstacles before production was organised and the products were accepted. But eventually, the activity met success.

First, in terms of marketing: the products commercialised by Shokay target fashion boutiques and demand is growing strongly. In terms of the project's global structure: it adds value to underexploited resources (yak wool) and the company succeeds in giving poor people an income by creating high-added-value products.



© SHOKAY



This is a flagship commercial example of a business project that combines a social and a community dimension. The company not only buys wool from Tibetan farmers at high prices that bring significant additional revenue but it also repays 1% of total sales to the Shokay's Community Development Fund in support of local development.

## And this is only the beginning

Even though the above initiatives are interesting, they still remain very marginal in a huge country such as China with one and a half billion inhabitants.

## A relatively unknown concept

The small number of fair trade initiatives in China is due chiefly to the relatively late opening to market economics but also because very few Chinese have heard of fair trade. No real studies, apart from incomplete or general ones, have been conducted on the topic. A first study showed that the concept was hardly known, also among people who were sensitive to "ethical" economic issues.

For instance, in an article published in January 2012, two young Australian university graduates showed the conclusions of a (relatively small but interesting) survey on the matter. The survey was conducted in July 2010 among some hundred people visiting commercial outlets that had fair trade products on sale (but not exclusively) in Shanghai and Suzhou.

The survey highlighted that only a little more than half of this sample (55.3 %) had ever heard about fair trade. Considering the locations where the survey was conducted and the fact that these people were clients of boutiques offering fair trade products, the score was remarkably low.

For the survey the research team also investigated what fair trade evoked by presenting a list of possible items (decent incomes, workers rights, social emancipation, etc.). Quite interestingly (and probably revealing - see later), the environmental dimension of fair trade was ticked off most (almost 76% of people who had heard about fair trade) while people were least familiar with community empowerment.

## Challenges and prospects

Even though fair trade is still in its infancy in China, certain clear trends are apparent which will speed up and boost its further development. The emergence of a middle class with a growing purchasing power is one such trend. For some this offers great commercial opportunities, while others see an ecological threat in it. Either way, it constitutes a prospect that must be taken into account to keep global trade in balance. For fair trade the upcoming middle class offers new interesting horizons as well.

That said, today Chinese fair trade is more a story of intranational rather than international trade. It is considered a means to share the wealth within the country between richer and poorer regions.

## Fair trade and Corporate Social Responsibility

The massive establishment of large foreign enterprises in the country also has an impact on the development of fair trade. Faced with increasing demands on the part of consumers and NGOs, companies and their suppliers are expected to respect certain minimum social and environmental standards on manufacturing sites.

Foreign business is now willing to adopt operational standards and rules that are reliable, workable and recognised. That way, Corporate Social Responsibility (CSR) is developing. It stands for all commitments made by private businesses and their partners to take into account the environmental and social impact of their activities more.

However, concrete implementation of such provisions on Chinese manufacturing sites is far from easy. What rules to adopt? How to make sure they are respected and applied? These are just a few of the questions that large western firms operating in China have to answer.

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## Certification, a guarantee for quality

Finally, there is still another way in which fair trade can offer prospects to China through fair trade's relation to food quality and nutritional issues. Several health scandals have made the headlines in the media over the last few years in China and in particular the scandal of baby formula that was contaminated with melanin and caused the death of several children in 2008.

Since then, food safety is considered an important issue in many households. In this respect, fair trade labelling (like other labels, for that matter) offers strong guarantees, around which Chinese consumers could rally.



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## Eastern perspective

China has almost twice as many inhabitants as Europe and the United States combined. Growth in China is such that China cannot be considered a developing country or even an emerging economy any more. The other megalopolises of the Far East and its large coastal cities today have such attraction that the economic focus and decision process will shift to the Pacific (to the disadvantage of Old Europe).

It is of the utmost importance that China's new generation takes ownership of fair trade's economic models. Such models can contribute to shifting the culture and habits of these "new-comers" in a global mass consumption society because their numbers, their values and their preference weigh on global matters.

Fair trade in China is not anecdotal. It is a new horizon for a fairer global economy.

Trade for Development Centre  
May 2013



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