

How does Fair Trade Differ from Free Trade?

Many people are familiar with the term “free trade,” which has played a major role in countries’ trade policies in the past few decades. While free trade policies need reform, Fair Trade adds a complementary business model to such reform. **The table below summarizes key differences:**



Credit: Dr. Bronner's Magic Soaps

Free Trade is NOT Fair Trade

	Free Trade	Fair Trade
Main goal:	To increase nations’ economic growth	To empower marginalized people and improve the quality of their lives
Focuses on:	Trade policies between countries	Commerce among individuals and businesses
Primarily benefits:	Multinational corporations, powerful business interests	Vulnerable farmers, artisans and workers in less industrialized countries
Critics say:	Punishing to marginalized people & the environment, sacrifices long-term	Interferes with free market, inefficient, too small scale for impact
Major actions:	Countries lower tariffs, quotas, labor and environmental standards	Businesses offer producers favorable financing, long-term relationships, minimum prices and higher labor and environmental standards
Producer compensation determined by:	Market and government policies	Living wage and community improvement costs
Supply chain:	Includes many parties between producer and consumer	Includes fewer parties, more direct trade
Key advocate organizations:	World Trade Organization, World Bank, International Monetary Fund	Fairtrade Labeling Organization, World Fair Trade Organization