

IS FAIR TRADE “FAIR”? A STUDY OF HANDMADE PAPER PRODUCERS IN NEPAL

by

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Abstract

The label “fair-trade” might seem to be a definitive designation: either a product is or isn’t. In fact, a continuum exists, resultant mostly from the participation in fair-trade by diverse groups of producer organizations, buyers, certifying organizations, and consumers. Therefore, the way fair-trade is perceived and practiced cannot be presumed to be homogenous. In order to better understand the complexities of fair-trade, a qualitative study was carried out to examine one fair-trade product and its producers. Two Nepalese handmade paper companies, Bhaktapur Craft Paper (BCP) and Get Paper Industry (GPI), were studied to gain insight into the producers’ perceptions, interpretations, and practices of fair-trade. This study also assesses the impact of fair-trade affiliation on the socio-economic conditions of producers and workers. To provide the opportunity for comparison, the cases of BCP and GPI were also compared, where possible, to those of a non-fair-trade company, Bagmati Paper Industries (BPI). The study finds that the fair-trade producer organizations were affiliated with fair-trade networks primarily to promote their business by way of the multiple and committed trading partners involved in fair-trade. Also, affiliation seemed to have positive impacts on the overall business of the paper companies, contributing to growth in sales over the years. Likewise, different training programs sponsored by fair-trade organizations, such as Fair Trade Group Nepal and World Fair Trade Organization-Asia, and fair-trade buyers also contributed to the capacity enhancement of producer organizations. The producers in the paper companies lacked an understanding of fair-trade due to a lack of participation in decision making, a high level of illiteracy among producers, and because management did not consider producer awareness of fair-trade as significant. The study finds positive impacts of fair-trade involvement on the producers’ socio-economic position: a

company's participation in and practice of fair-trade is positively related to improvement in the socio-economic conditions of producers. Considering wages, work-hours, working conditions, and job satisfaction of workers, the fair-trade companies were determined to more favorably affect workers' lives than the non-fair-trade company.

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List of Acronyms

BCP – Bhaktapur Craft Paper

BPI – Bagmati Paper Industries

CBS – Central Bureau of Statistics

FLO – Fairtrade Labelling Organizations International

FTGN – Fair Trade Group Nepal

GDP – Gross Domestic Product

GPI – Get Paper Industry

ICIMOD – International Centre for Integrated Mountain Development

ILO – International Labor Organization

UNEP – United Nations Environmental Program

UNICEF – United Nations Children’s Fund

WFTO – World Fair Trade Organization

WFTO Asia – World Fair Trade Organization Asia

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Dedication

I would like to dedicate this work to my grandmother Mahalaxmi Kharel and parents Mohan Raj Kharel and Gayatri Kharel for always teaching me the value of education, despite being illiterate themselves. To my uncle and first teacher, Padam Prasad Kharel, for developing in me a love for knowledge through his wonderful ways of teaching. And to my daughter Anuska, whose words and smiles have become the sources of inspiration and motivation in my life.

Chapter 1 - Introduction

The fair-trade movement emerged as a response to the unjust trading practices of the present global system that often exploit small producers. Fair-trade advocates argue that the current so-called “free market” mechanism does not necessarily help to improve the socio-economic conditions of small producers; hence, a different trading practice based on fairness is essential. Though the practice of fair-trade is by no means homogenous—it manifests differently according to people, time, and place—attempts have been made to define it. As explained by Jaffee (2007), fair-trade is concerned with creating “more direct, socially just, and environmentally responsible trade relations – mainly between disadvantaged farmers in the global South and the concerned consumers in the North” (Jaffee, 2007, p. 1). Fair-trade certifying organizations such as Fairtrade Labelling Organizations International (FLO) and World Fair Trade Organization (WFTO), which are often viewed as the fair-trade governing bodies, have attempted to provide this “official” definition of fair-trade:

Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade (WFTO & FLO, 2009, p. 4).

Fair-trade stands as a strong movement of the twentieth century, emphasizing not only the idea that trade needs to be fair and equitable, but also the optimism that such a trading practice based on equality and fairness is possible.

Early practice of fair-trade dates back to the 1940s when U.S. and European charitable organizations traded handicrafts directly from “Third World” countries (Wilkinson, 2007).

However, the movement gained its momentum during late 1980s and early 1990s with the

inclusion of commodities like coffee and tea; also instrumental in increasing fair-trade practice was the establishment of the “Max Havelaar” label in 1988 and Fairtrade Labelling Organizations International (FLO), a fair-trade certifying organization, in 1997. Since then, fair-trade sales have been increasing tremendously with a 483% increase between 1998 and 2005 (Raynolds & Long, 2007), and a 41% rise from 2006-2007. Sales reached nearly 4 billion dollars in 2007 (Krier, 2008, p.54). Europe is still the largest market (64%) for fair-trade products, far surpassing North America and the Pacific Rim (these regions total 36%) (Krier, 2008). The growth in fair-trade sales has also been supported by an increase in the number of fair-trade companies. By 2008, the number of fair-trade import companies exceeded 500, and there are more than 100,000 points of sale in operation worldwide to distribute fair-trade products (Krier, 2008, p. 6).

The growth in fair-trade sales can be viewed as an indication of the increasing strength of the fair-trade movement, but there is often a (faulty) practice of evaluating the strength of fair-trade on the basis of its market success alone, overlooking its impact on the producers and the attainment of fair-trade objectives. The success of fair-trade cannot be measured without analyzing its social impact on producers. Thus, the present study makes an effort to assess the impact of fair-trade on the life of producers/workers who produce for fair-trade markets.

Various scholars have highlighted the different aspects of fair-trade. Emphasizing the trading aspect of fair-trade, some scholars consider it a medium for achieving global economic justice by challenging the hegemony of conventional trade (Shreck, 2008). They consider fair-trade as based on the principle of ensuring global economic justice through the medium of markets, but by protecting the market participants against its fluctuations.

Other scholars argue that although fair-trade is based on market logic, its scope and goals extend beyond the market and aim to link the economic benefits of trade with the social ones (Lewis, 1998). Fair-trade organizations work to protect small Southern producers against market fluctuations and promote their development by providing economic and social benefits. In this sense, fair-trade is a new economic social movement, which employs trade only as “a strategic tool for the promotion of development and social inclusion” (Wilkinson, 2007, p. 223).

Fair-trade does not remain the same for everyone. Not only scholars, but different participants in the fair-trade system hold different perceptions and interpretations of fair-trade, which thereby enriches the heterogeneity of the fair-trade movement. However, this condition has also created serious contradictions and challenges in fair-trade (this will be further explored in Chapter 3). Heterogeneity in fair-trade is not only created through its diverse interpretations; there are substantial differences among fair-trade practitioners in terms of the way they operate and the values they adhere to. Given this, it is not necessarily useful to discuss fair-trade as though it exists apart from cultural specificity; how fair-trade is perceived, interpreted and practiced depends on what is being traded, where it is being traded, and by whom/with whom it is being traded. In other words, understanding the impacts of a particular set of fair-trade practices depends to an important extent on understanding the specific cultural and socio-economic conditions. The specific fair-trade practice, therefore, that the present research is concerned with is that of handmade paper producers in Nepal.

Research Questions

The primary objective of the present research is to explore the heterogeneity of fair-trade practices and assess the impact of fair-trade on producers' lives. To this end, the study aims to

investigate two major questions: 1) how do Nepalese paper producers perceive, interpret, and practice fair-trade? and 2) what is the impact of engaging in fair-trade practices on the lives of Nepalese producers of handmade paper for fair-trade markets? The study also examines the following sub-questions:

- a) Why do Nepalese paper producers participate in the fair-trade system?
- b) To what extent has fair-trade been able to attain its primary objectives of i) contributing to the socio-economic development of producers, ii) creating employment for women and underprivileged groups, and iii) guaranteeing “decent” working conditions (i.e., working conditions as set by national and local laws and International Labor Organization conventions)?
- c) If fair-trade results in producers/workers being better paid and women and underprivileged groups being employed, how has it affected the workers’ social lives, including household dynamics (e.g., gender relations, division of work at home)?

A Macro-Picture of Nepal

Situated between two large countries in Asia – India and China – Nepal ranks as one of the least developed countries in the world, with a gross domestic product (GDP) of \$12.5 billion and a gross national income per capita of \$440 (World Bank, 2011). Poverty is highly prevalent, as 24.1% of the population earns less than one dollar a day and 78% of the population makes below two dollars a day (National Planning Commission, 2010). The unemployment rate is high with only 81.7% of the population (aged 15 and above) employed (Central Bureau of Statistics [CBS], 2008b). A majority of the working population is engaged in agriculture (73.9%), while a low percentage of people work in industry (10.8%) and services (15.3%) (CBS, 2008b). Paid

employees account for only 16.9% of total employment. Women's share in paid employment is even worse: in comparison to 73.9% of men, women contribute to only 26.2 % of the total labor force in paid employment (CBS, 2008b). Compared to 82.5% of men, only 17.5% of women are employed in the non-agricultural sector (CBS, 2004). More than 80% of the population of 30 million lives in rural areas, which have limited (if not a complete lack of) health services, education, and employment opportunities. Nearly half of the population is illiterate (45.9%) and a significant discrepancy exists between men and women in terms of their accessibility to education. In comparison to the 65.5% literacy rate among men, only 42.8% of women are literate (CBS, 2008a).

Nepal is divided into 5 development regions – Eastern, Central, Western, Mid-Western, and Far-Western – and 75 districts for administrative purposes. The capital city of Nepal, Kathmandu, is located in Kathmandu Valley at an altitude of 1350 meters (International Centre for Integrated Mountain Development [ICIMOD], 2007). Kathmandu Valley, which encompasses three districts – Kathmandu, Lalitpur, and Bhaktapur – is the hub of education, employment, business, health services, and tourism.¹ Besides the capital city, there are four other cities – Kirtipur, Lalitpur, Bhaktapur, and Madhyapur-Thimi – located within the three districts in the Valley. Though there are altogether five cities in Kathmandu Valley, they are clustered together giving an impression of a single city. In fact, the cities encompass less than 10% (82.53 sq. km.) of the 899 sq. km. area of Kathmandu Valley (ICIMOD, 2007). A valley of over 1.6 million people, Kathmandu has a high population growth rate due to an influx of people from different parts of the country for employment, education, and other opportunities. While

¹ Kathmandu Valley has three districts, Kathmandu, Lalitpur, and Bhaktapur, and each of these districts has a city with the same name. While Lalitpur district has only one city, there are two cities in Kathmandu and Bhaktapur each.

the annual population growth rate of Nepal is 2.25%, the population in the Valley is increasing much faster, at the rate of 4.06% per annum (CBS, 2008a; ICIMOD, 2007). The migrants are largely engaged in building construction, brick industries, carpet industries, garment factories, and dyeing industries (ICIMOD, 2007). The literacy rate in Kathmandu Valley (above 70%) is much higher than the national average (54.1%). However, a discrepancy in the literacy rate of men and women exists in the Valley as well. In comparison to above 80% of men, only around 60% of women are literate (ICIMOD, 2007).

Handmade Paper in Nepal

Nepalese handmade paper is primarily made from the fibers of the Lokta shrub (*Daphne bholua* and *Daphne papyracea*). The Lokta plant grows abundantly in the forests of Nepal at elevations between 1600 and 4000 meters. Besides Lokta, cotton and other fibers are also used in the production of handmade paper. However, 70% of all handmade paper products use Lokta fiber and the rest (30%) use cotton waste and other recycled natural fibers (Biggs & Messerschmidt, 2005). There are four major steps in the manufacturing of paper or paper items using Lokta: harvesting of Lokta from the forest; transforming Lokta into pulp; drying the pulp on screens to make flat sheets of paper; and using that paper to make paper crafts (Banjara, 2007). In Nepal, where traditional handmade paper has been produced at least since the 12th century for government records and religious texts, handmade paper has some historical significance (Biggs & Messerschmidt, 2005). Until 1959, only handmade paper could be used in legal correspondence, and even at present, government documents, such as birth certificates and land ownership papers, are written on handmade paper (Banjara, 2007).

Figure 1.1: Lokta Plant, Paper, and Paper Products



Lokta plant (Source: Himalayan Silver Crafts) Drying paper on screens (Picture: by author)



Gift boxes



Notebooks



Paper bags

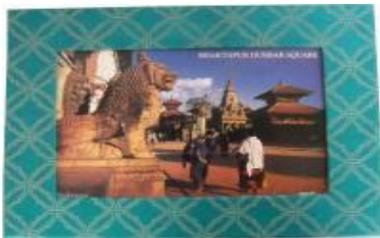


Photo frames



Decorative items

Paper products (Source: Get Paper Industry, by permission)

The Nepalese handmade paper sector badly suffered in the 1930s when Tibetan handmade paper was imported into the country. The traditional paper industry received a second blow during the 1960s when it was opened to competition with machine-made paper from India. The revival of the Nepalese paper industry started in the 1970s with “tourist-led demand” and the rejuvenation was further enhanced in the 1980s through the “Community Development through the Production of Handmade Paper Project” of UNICEF/Nepal (Subedi, B. P., Binayee, S., & Gyawali, S., 2006, p. 2). UNICEF/Nepal worked with the government of Nepal in the promotion of handmade paper during this period. As a part of this project, it established Bhaktapur Craft Paper for the production of paper items, making use of paper produced outside of Kathmandu Valley. According to Subedi et al., “rapid expansion of the [Nepalese handmade paper] industry began in the 1990s when private companies emerged adopting improved technology, fair trade practices, and entering into new international markets” (p. 3). International markets in general and particularly alternative markets such as fair-trade markets have helped in the swift development of the Nepalese handmade paper in the last two decades. Currently, handmade paper provides employment in paper making to 4000 families in rural areas, and in Kathmandu about 2500 people work in the production of paper crafts. Women comprise around 80% of the total labor force in the sector (Banjara, 2007).

Significance of the study

As fair-trade practice has increased, so too has fair-trade literature. Until the early 2000s, most fair-trade researchers focused on Northern consumers, and those who studied producers could not substantially evaluate the impact of fair-trade due to methodological problems (they did not compare fair-trade participants with non-fair-trade). Over the last decade a number of

scholars have contributed additional attempts to evaluate the impact of fair-trade on producers' lives. However, most of the studies have concentrated on a single continent, Latin America, and on only a few tropical commodities, mostly coffee and bananas. Given the limited assessment of the impact of fair-trade on non-Latin American and/or non-coffee producers, this project's study on the impact of the fair-trade production system on paper producers in Nepal—by examining how Nepalese paper producers perceive, interpret, and practice fair-trade—will broaden the scope of fair-trade research.

Fair-trade can develop as a strong movement only if it is able to bring positive changes in the lives of producers. Thus, as the available studies on producers lack a thorough assessment of fair-trade's benefits to them, an in-depth study on the impact of fair-trade on Nepalese paper producers and their families provides a base to evaluate the strength of this movement. The present research will become a source of information for future researchers who wish to study fair-trade producers in general, and specifically fair-trade paper producers in Nepal.

Thesis Overview

The thesis is organized into five chapters. The current chapter introduces the research project, explains the reasons for pursuing the study, provides a justification for the research, and discusses the research questions.

The second chapter primarily discusses the research methods – interviews, observation, and document analysis – used for the study. The research makes a comparative study of three organizations that produce handmade paper or paper items: Get Paper Industry (GPI), Bhaktapur Craft Paper (BCP), and Bagmati Paper Industries (BPI). This chapter provides a background of each of the organizations and explains the reasons for their selection. I also reflect on my

research experience in this chapter. I describe my experiences that range from topic selection to experiences in the field. Finally, I discuss the ethical issues and biases that might have affected the research during data collection and analysis.

In the third chapter, I review the literature on fair-trade in relation to my research questions. First, I present some underlying contradictions and challenges facing fair-trade. Then, I present the debate in defining fair-trade and discuss how this debate is related to the challenges facing fair-trade. In other words, this chapter discusses how fair-trade is practiced, defined, and interpreted differently by different actors and explores how this tendency is related to the underlying contradictions of fair-trade. The efforts at assessing the impact of fair-trade on producers will be appraised, and a useful modality for impact assessment will be presented in the final sections of the chapter.

The fourth chapter presents the interpretation of the data that were obtained primarily through interviews and observations. Each of the research questions, which are mentioned above, will be discussed and the findings of the study presented. In other words, this chapter discusses how fair-trade is perceived, interpreted, and practiced by Nepalese paper producers, and also appraises how fair-trade has affected the producers/workers.

The fifth chapter is the conclusion. This chapter provides a summary of the thesis, with a special focus on research findings and recommendations.

Chapter 2 - Research Methodology

This chapter presents the research methodology utilized to accomplish the present study. Additionally, it describes each paper company as well as discusses my research experience and potential research biases. The present study provides a comparative study on three paper companies located in Kathmandu Valley: Get Paper Industry (GPI), Bhaktapur Craft Paper Limited (BCP), and Bagmati Paper Industries (BPI). These companies were selected on the basis of their organizational structure, association with fair-trade, location, and products. Each of these companies produces handmade paper or paper products, such as paper boxes, paper bags, or greeting cards, primarily for foreign markets. A description of each company will be followed by more detailed explanation for why these organizations were selected.

Get Paper Industry (GPI)

GPI is located in the suburb of Kathmandu, the capital city of Nepal. The company operates all its activities within an area of 12 Ropani.² Established in 1985 as a private company, GPI transformed its organizational structure into a cooperative in 2005. However, GPI has not yet completely renounced its structure as a private company; the company maintains a dual structure of a cooperative and a private company. As explained by a company founder, it is a cooperative at the operational level, but functions as a private company while dealing with financial transactions, liabilities, and assets. The assets of the company, including the land, are under the ownership of Dr. Milan Dev Bhattarai, the founder of the organization, and his family.

² Ropani is a commonly used unit of measurement for area in Kathmandu. One Ropani equals 5476 sq. ft.

GPI was started as a family industry. In 1988, when a Japanese organization, Japanese International Cooperation Agency (JICA), organized a handmade-paper training program in Kathmandu, Dr. Bhattarai sent a few people he knew for the training. The training provided the participants with the skills for producing “Nepalese paper”³ and the company’s new purpose was established: the production of handmade papers solely for the local markets. In the 1990s, the company started producing paper products such as paper boxes, notebooks, etc., in an effort to expand its market and increase sales. GPI started supplying its products for the Body Shop’s community trade in 1989 and became a participant of the fair-trade market in 2002.

At the time of its establishment the company had a small group of 14 workers. This number has now increased to make a “permanent” team of 87 people, who are also the members of the cooperative. By “permanent” staff, in the words of Mr. Bhattarai, “we mean those workers who have been associated with us for a long term.” The company also hires temporary or seasonal workers when they are in need of an increased work force for a short period. As Mr. Bhattarai says, “we call these workers seasonal to whom we offer employment when we receive ‘order’ [of our products] from our business partners and we require workers. The seasonal workers are wage-workers, whom we cannot retain for a long time due to the unavailability of work with us.” The number of seasonal workers fluctuates. At the time of interview, around 350 seasonal workers were working in the company at different levels. Women comprise a large portion of the total workforce; they make up 60% of permanent and 90% of seasonal workers.

GPI does not sell its products in the local market. Though they produced all their items for local markets in the beginning, they have stopped selling locally since 1996. They have now

³ “Nepalese paper” does not necessarily mean every paper produced in Nepal. It refers to a special type of handmade paper, which was widely used for official records or documents until very recently.

transformed into an order-based company, which means that only after they receive an order for their products from their partners abroad do they produce the items. Usually, it is foreign buyers themselves who design the products or specify the designs of the products, and this factor also discourages GPI from selling their products in the local market.

Bhaktapur Craft Paper Ltd. (BCP)

BCP is a public limited company located in Bhaktapur, a small city in Kathmandu Valley. Bhaktapur at that time lagged in education and employment, so UNICEF selected this area for the establishment of the company thinking that it would help with socio-economic development of the community. The company was established in 1981 under a different name – Bhaktapur Hastakala Udhog (Bhaktapur Handicraft Industry) – by UNICEF-Nepal in collaboration with the Government of Nepal, with the objective of generating local income and community development. BCP, which was originally established as a model project for the development of local community, with a famous slogan of “community development through the greeting card project,” has been engaged in fair-trade practices for over a decade.

In 2005, UNICEF-Nepal handed all the assets and capital of the company over to the workers, provisioning each of them a share of Rs. 100, 000.⁴ The company, which started with 12 workers in 1981, had 128 employees at the time of handover. However, some of the shareholders have either sold their shares or left the company for different reasons. Some shareholders have retired because of age while some shareholders opted for the voluntary retirement scheme of the company. Currently, there are about 15 shareholders who do not work in the company, thus making the number of shareholders a bit higher than the total number of

⁴ \$1= 71 rupees

employees. Though BCP operates independently, the company still supplies a major portion of its products to UNICEF. At present, BCP has about a hundred workers and a majority of them are women.

Bagmati Paper Industries (BPI)

Unlike the first two companies, BPI is privately-owned and not associated with fair-trade. The company was established in 1988 as a family business and its structure still remains the same as the share of the company is equally divided among the four brothers who founded it. In addition to the jointly held company Bagmati Paper Industries, there are three other handicraft companies – Bagmati Handicraft, Bagmati Paper International, and Superior Handicraft – which are privately owned by three different brothers. However, for this research I have limited my study to Bagmati Paper Industries. The company operates from two different locations in Kathmandu. The site for the production of paper and paper products is located at Kausaltar in an area of around 4 Ropanis, while the company's other operations, such as dealing with customers, taking orders, supplying, etc., take place out of Bhimsengola. For my study, I interviewed the workers who produced paper items at the production site in Kausaltar.

BPI is an export-oriented company, which sells about 95% of its products to foreign markets such as the USA, Japan, and many European countries including Germany and United Kingdom. The paper is usually produced using Lokta, which they buy from Lokta producers located in Kavre, Khotang, and other rural parts of Nepal. While BPI sometimes makes paper themselves they also prepare paper items through the papers produced elsewhere. In this company with an annual turnover of about 30 million rupees, there are around 70 employees and about 80% of them are women.

What Do the Paper Producers Do?

During my visits, workers in BCP, BPI, and GPI were engaged in different activities of paper production: product designing, paper cutting by hand and machine, paper pasting, print works, dyeing papers by soaking them into the mix of water and dyes, drying papers on screen, packing the finished products, carrying the packed boxes for storage, and some other work. Some workers were involved in the recycling unit of the company to produce handmade paper by using paper wastes. With some exceptions – of machine work, drying paper, and carrying boxes – most of the work in the paper companies is sedentary. Most of the workers reported that their job was “easy” and this might be true in the sense that a large majority of workers in each company had started the work without previous job experience and formal training. Furthermore, they had mainly learnt their work by simply watching others for a couple of days.

Figure 2.1: Paper Producers at Work



Drying the dyed papers (Picture: by author)



Workers pasting papers at BPI (Picture: by author)



Workers making paper boxes at GPI (Picture: by author)

Division of labor was in effect in each company as the production of a paper item was divided into small chunks, and various groups of workers were each given certain tasks to complete. After the completion of some portion of work by a group, the unfinished products were carried by other workers to another group of workers. Different groups of workers thus formed a kind of chain, and only by passing through this chain any item emerged as a final product – a product ready for market. Some changes in tasks were likely to happen according to the types of items produced – photo album, lampshade, paper bag, paper box, notebook, etc. However, it would not affect the performance of the workers much as each of them was assigned a small task to perform they could quickly learn those changes. Some workers said that they had switched to a different work, like from paper cutting to printing or from printing to paper pasting, as per the demand of work and workers in the company.

Criteria for the Selection of the Companies

The selection of GPI, BCP, and BPI for this study was based on a number of factors. Comparisons between operation methods, income, wages, and other employee benefits – comparisons that would help assess the impact of fair-trade on fair-trade producers' lives (this study's primary objective) – would be more valid if the companies were within a similar locale with similar costs of living and making similar products. The three companies chosen are located within the two adjacent Kathmandu Valley cities of Kathmandu and Bhaktapur and produce handmade paper or paper products. The validity of the study increases if comparisons in terms of economic and social benefits to the workers are made between fair-trade and non-fair-trade companies. To that end, two of the companies chosen are fair-trade (GPI and BCP) and one is non-fair-trade (BPI).

Next, despite their similarities, these three companies have different historical backgrounds and different organizational structures. While GPI is a cooperative, BCP and BPI are public and private companies, respectively. This selection, thus, allows for the analysis of the similarities and differences not only between fair-trade and non-fair-trade companies but also between a fair-trade cooperative (GPI) and a fair-trade public company (BCP). Moreover, the companies' differing organizational structures allow for some analysis of perception – how fair-trade is perceived and interpreted and how it is practiced within each organization. Finally, I can also see whether or to what extent there is some relationship between organizational structure and the socio-economic development of producers/workers. The different organizational structures will be helpful in understanding whether it is simply an association with fair-trade per se or the organizational structure that comes with being fair-trade that impacts the development of producers/workers. In sum, the diverse nature of the selected companies helps enrich the analysis of the impact of fair-trade on these Nepalese paper companies.

Identifying the Research Topic

The idea of fair-trade intrigued me when I first learned about it while reading Jaffee's (2007) book, *Brewing Justice*. This text brought to my attention the injustices of the global trade system and the efforts of consumers to change it. The concept of fair-trade was especially intriguing because of its optimistic outlook that change in powerful, multi-national structures truly is possible. Further research revealed limited study on handicrafts and on fair-trade in Asia. This made me wonder how fair-trade is practiced in the handicraft trade and whether handicraft workers really enjoyed the postulated benefits of fair-trade.

Then, while volunteering for Fairtrade Marketplace – a fair-trade fair – at Kansas State University in November 2009, I learned from the garment seller I was working with that they buy garments and handicrafts from small producers in India, and she provided insight into how this trade is benefitting artisans in the South. As I continued hearing and reading about fair-trade practices improving the socio-economic development of producers I sought to learn first-hand about the impact of fair-trade on fair-trade producer groups. Because of my affiliation with the country of Nepal – along with the lack of research pertaining to fair-trade in Nepal -- I began to consider fair-trade practices in Nepal as a possible area for further study and began to gather information about Nepalese organizations and producer groups that were participating in fair-trade markets. To my surprise, I found over a dozen producer groups and companies associated with the global fair-trade network and a country coordinating office of WFTO, Fair Trade Group Nepal, already established in Nepal. Soon after, I selected GPI and BCP as two possible cases for my study.

A handicraft fair in Kathmandu in February 2010 presented the opportunity to meet with different fair-trade groups. Though the fair-trade companies like GPI and BCP were absent, it was still through this event that I was able to make contact with BPI and receive an approval for research. Within a few weeks, I had contacted GPI and BCP and was granted permission to carry out research.

Research Methods

Data Collection

The data were collected using qualitative research methods. The study uses three major sources of data – interviews (the main source), documents, and participant and non-participant

observation – to ensure that the research objectives are achieved. As Berg (1998) writes, the interview is an effective method of “understanding the perceptions of participants or learning how participants come to attach certain meanings to phenomena or events” (p. 62). Thus, the data collected through interviews with the producers and company officials was used to understand the paper producers’ perceptions and interpretations of fair-trade. The information gleaned from the interviews was also used to assess the impact of fair-trade on paper producers/workers in Nepal. Interviews with the producers/workers and company officials provided information about the producers’ access to markets, incomes, gender differences (whether both male and female workers receive the same wages and similar treatment from employers and other fellow workers), working and living conditions of producers, and their knowledge of and commitment to fair-trade. The interviews assessed the impact employment had on producers’/workers’ accessibility to food, housing, education, and health services, along with the change in social relationships (including gender relations, division of work at home, other family members’ perceptions, etc.).

During the summer of 2010, I conducted semi-structured face-to-face interviews with both the producers/workers and the key informants, including the company owners, cooperative directors, and company officials. The semi-structured interview was used because, as Berg (1998) writes, in this interview style, while interviewers begin with a set of questions to start the conversation, “the interviewers are allowed freedom to digress; that is, the interviewers are permitted (in fact expected) to probe far beyond the answers to their prepared and standardized questions” (Berg, 1998, p. 61). Thus, for the study, I conducted altogether 40 interviews, using a semi-structured interview pattern for each of them.

Table 2.1: Number of Interviews by Organization and Subject Type

| Name of the Organization | Temporary Workers | | Permanent Workers | | Company Officials | |
|-----------------------------------|-------------------|--------|-------------------|--------|-------------------|--------|
| | Male | Female | Male | Female | Male | Female |
| Bhaktapur Craft Paper | - | - | 4 | 6 | 2 | - |
| Get Paper Industry | 3 | 3 | 2 | 4 | 2 | - |
| Bagmati Paper Industries | 5 | 5 | - | - | 1 | - |
| Fair Trade Group Nepal | - | - | - | - | 1 | 1 |
| Anita Milan International Academy | | | | | 1 | |

The key informants in each organization, who were identified by visits to the organization, were basically the company officials. I interviewed altogether 8 officials and/or owners of 5 different organizations. Only a few questions were prepared before the interviews. More questions were formulated as new topics and concepts began to unfold while communicating. The data through the interviews were used to analyze how profitable (economically) the production system is, on what trading partners or actors the organization has to depend, and what could be the future course of this production and trading system. The interviews also explained how the producer organizations perceive, interpret, and practice fair-trade as well as why they participate in the fair-trade markets.

The sampling method employed in the study could best be categorized as “purposeful selection.” As Maxwell (2005) contends, the purposeful selection method helps achieve an important goal of qualitative research, which is “to adequately capture the heterogeneity in the

population” while also “achieving representativeness or typicality of the settings, individuals, or activities selected” (p. 89). In the selection process I tried to make sure that the population of different social strata and categories, such as male/female population, permanent/temporary workers, and ethnic minorities, were adequately represented in the sample. I interviewed 32 workers/producers in total, having at least 10 respondents from each of the organizations. While I approached many respondents myself and asked them for an interview, company official/s also helped me in identifying the workers/producers, which made it convenient to approach them first for an interview. To create a feeling of familiarity and ease, I first talked to them about their work or some personal questions such as where they lived or what kind of work they did in the company and I also told them about the purpose of my visit, usually after they asked me. While some agreed to sit for an interview on the same day, a suitable time and date was arranged for others. The length of interview varied between producers and company officials. While each producer was interviewed for about 20 minutes on average, the interview with each company official continued for nearly an hour.

Seidman (2006) asserts that an interviewer needs not only to listen to what the interviewees say, but also to perceive “any nonverbal cues he or she may be offering” (p. 79). It is, thus, important for a qualitative researcher to pay attention to seemingly unimportant things like pauses, sighs, gestures, and so on. Silverman (2006) argues that “even when people’s activities are audio or video recorded and transcribed, the reliability of the interpretation of transcripts may be gravely weakened by a failure to note apparently trivial, but often crucial, pauses, overlaps or body movements” (p. 46). Therefore, during the course of my study, I have noted when the respondents felt uncomfortable, what they had difficulty talking about, or what

they did not want to talk about. The voice recorder helped me record the pauses, sighs, and exclamations of the respondents, and they were given due attention while analyzing the data.

According to Silverman (2006) it is important for a researcher to both look and listen. While recording what the people say is important it is also equally necessary to observe. As Silverman argues, we can obtain underlying information, an important data, through this method. Therefore, apart from interviews, I also engaged in participant and non-participant observation in order to obtain additional information on the living and working conditions of producers, the use of child labor, and producers' participation within organizations at the decision-making level. In all the organizations, I not only observed the people at work but also communicated with them informally. Informal talks with workers/producers were the source of some invaluable information – information unobtainable during the interviews.

I also gathered some government documents (such as Labor Acts), company documents (such as account records), and some other documents (such as the one developed by FTG-Nepal) by visiting the organizations or through the government and company websites. These documents helped me get additional information about fair-trade companies and also allowed me to see if the companies fulfilled the minimum requirements for workers as set by the Government of Nepal and/or fair-trade organizations. The company documents provided additional information on prices, sales, and cost of fair-trade products. In the process of data analysis, the information collected through the documents were arranged according to themes and research questions, and this information served as background to the primary data collected through interviews and observations.

Data Analysis

Berg (1998) writes that “systematic analysis of ethnographic data typically begins by reading the field notes” (p. 151). I began the analysis of the data collected through observation by reading the field notes. The field notes contained what I observed, what the people said, and what and how they communicated with each other in specific contexts. As explained by Glaser & Strauss (1967), the initial reading of the notes was helpful “to reinforce any hypotheses or themes developed during the data collection phase and to generate new hypotheses and themes previously unrealized” (as cited in Berg, 1998, p. 151). While going through the notes, I initially observed some patterns and themes directly relating to my research objectives. With a careful study of the notes, additional themes and sub-themes were also identified, and then the data were categorized according to the themes they corresponded to.

Analysis of the interview data started with the transcription of interviews. As the interviews were conducted in native language – Nepalese, they were manually transcribed in the same language using a tape log, and it was translated into English later. A three-column table was prepared for transcribing the interviews. The left column was used to number the tape, indicate the respondent, and note date and location of the interview and some demographic information of interviewees. The large middle column was used for transcribing the interviews verbatim and the right column was used to note the themes and patterns and write comments while analyzing the data. The right column was mostly used once the interviews were transcribed and the analysis of data started. Berg (1998) contends that after transcribing the interview the analysis begins with systematically looking “for similarities and dissimilarities – patterns – in the data” (p. 92). The initial reading of transcriptions was helpful in identifying the major “patterns”, which were basically related to the research issues (or research questions)

mentioned in the first chapter. The data were then organized into what Maxwell (2005) considers “broader themes and issues” (p. 96). Further analysis of the data helped to identify additional themes and subthemes, and the findings are reported accordingly in chapter four.

Researcher Bias

Maxwell (2005) views “researcher bias” in selecting data as a major threat to the validity of qualitative research, and he contends that the only way to overcome the problem is by acknowledging the bias. In his words, qualitative research is concerned “with understanding how a *particular* researcher’s values and expectations influence the conduct and conclusions of the study (which may be either positive or negative) and avoiding the negative consequences” (emphasis in original, p. 108). Thus, an important task of a qualitative researcher lies in “explaining your possible biases and how you will deal with these” (p. 108). I do have certain biases that range from the selection of research topic to the period of data collection. I wanted to study the impact of fair-trade on producers because of my interest in fair-trade and my knowledge about the Nepalese producers’ participation in fair-trade. My interest in Nepalese producers was related not only to myself being from the same country, but also to the convenience for me to carry out my study there due to my knowledge of local language, culture, and socio-political context. Likewise, my decision to study the companies located in Kathmandu was also conditioned by the fact that my family lives in the same city. Thus, while spending the summer of 2010 in Kathmandu collecting data for my study I could spend at least some time at home, with my family.

I also had some biases towards producers/workers in the sense that I was concerned about their working conditions and well-being. The research itself began with an assumption that the

producers may not be receiving “decent” wages and the presumed benefits of fair-trade. Thus, while I was concerned about exploring the impact of fair-trade on workers/producers I was usually moved when they told me about the hardships they were undergoing. However, my personal reasons for the selection of topic or companies and my feelings towards the producers will not affect the conclusion of the study. As my concern for the producers was the main reason to carry out this research, I believe that my feelings for them strengthened the research as it helped me to learn more about the producers and observe the minute differences between the fair-trade and non-fair-trade producers.

Silverman (2006) notes that “sometimes the extended immersion in the ‘field’, so typical of qualitative research, leads to a certain preciousness about the validity of the researcher’s own interpretation of ‘their’ tribe or organization” (p. 47). I had established some connection with each company before I formally began the study and my relation with each company deepened during the course of the research. In fact, my familiarity with each company and their workers helped me to see the things more closely and critically. In the field, I took note of both what I saw and what people said verbally and non-verbally and recorded my communications (or interview) with each respondent. I analyzed and interpreted the data after I returned to the U.S. on the basis of what the data said instead of what the companies would want to hear. Thus, while I had an attachment with each organization I never lost my ability to objectively analyze and interpret.

Chapter 3 - Theoretical Discussion of Fair-trade

Fair-trade Market Growth and its Emerging Contradictions

As stated in the first chapter, fair-trade is gaining momentum with an increase in sales and expansion of the market. However, accompanying the movement are challenges and contradictions, as some factors contributing to market growth conflict with the basic principles of fair-trade. These challenges and contradictions, as well as attempts by researchers to assess the impact of fair-trade on producers' lives, are the focus of this chapter.

A primary reason behind an increase in sales is the inclusion of a wide variety of commodities from handicrafts to agricultural products (Raynolds & Long, 2007). The inclusion of agricultural products started with the establishment of fair-trade certifying organizations and the introduction of the fair-trade label. As viewed by Jaffee (2007), the beginning of the labeling process can be considered the beginning of a shift of focus “from crafts toward agricultural products” (p. 13), as coffee and other agricultural products have become the primary commodities of fair-trade markets since then. Coffee contributes to more than half of fair-trade value now. In addition to coffee, Fairtrade Labelling Organizations International (FLO) now certifies bananas, cocoa, tea, sugar, fruit juices, rice, spices, honey, and many other food items. After coffee, in terms of a single commodity value, banana, cocoa, and tea stand in second, third, and fourth positions, respectively (Raynolds & Long 2007).

While agricultural commodities occupy a large share of fair-trade markets, a strong regional disparity exists in fair-trade sales, with Latin America alone contributing nearly 80% of the total global fair-trade business and Asia standing in the margin with a nominal contribution

of 3.5% (Raynolds & Long, 2007). Wilkinson & Mascarenhas (2007) relate the centrality of Latin America in fair-trade production to “the historical importance of coffee and more recently bananas, orange juice, and other items” (p. 126). Whatever the reasons for Latin America’s prominence in the movement, it is important for fair-trade organizations to include more producers from more countries and provide them access to the “equitable” market; this is the only way to strengthen the fair-trade movement and develop fair-trade as a viable alternative to traditional trade. The necessity to become more global and provide support to more producers has pressured the fair-trade certifying organizations to certify more products and find bigger markets.

The second factor contributing to an increase in fair-trade sales is growing consumer consciousness about this alternative trade. The role of consumer consciousness is how fair-trade began; it is a movement initiated by the “conscious” consumers of the North in order to provide benefits of trade to the Southern producers. An increasing number of people view fair-trade as one of the best ways to help the Third World (Wilshaw, 1994). A high and further growing consumer demand has been pulling more importers, distributors, and retailers to fair-trade networks (Krier, 2008). In addition to an increase in the number of importers and sales points (which almost tripled between 2001 and 2007), per person fair-trade consumption, in terms of sales value, also more than doubled between 2005 and 2007. The per capita consumption of fair-trade production is constantly increasing at the rate of nearly 50% per annum since 2005 (Krier, 2008).

However, an increase in per capita consumption does not necessarily correlate with an increase in consumer consciousness. It is plausible that more people are consuming fair-trade products simply because these items are becoming more easily available in the mainstream

markets, but this mainstreaming of fair-trade products is itself another factor contributing to the growth of the fair-trade market. Reynolds and Long (2007) argue that the rapid growth of the fair-trade market in Europe and North America is much related to the “integration of [fair-trade] items into mainstream corporate and retail circuits” (p. 24). Fair-trade cannot make a real difference in the livelihoods of producers unless the market expands and demand increases. In the world market of trillions of dollars, fair-trade sales of around 4 billion dollars is still nominal. Thus, the pressure to increase volume and expand the market has led to an increase in commercial partners that range “from Nestlé to Dole, from Starbucks to McDonald’s” and other giant corporations (Krier, 2008, p. 8).

Fair-trade labeling organizations’ establishment of business ties with the likes of Starbucks and Nestlé has consequently jeopardized the labeling organizations’ relations with the “movement-oriented” fair-trade companies, which sell 100 percent fair-trade products (Jaffee, 2007). Fair-trade may be merely a marketing tool for these transnational corporations to improve their public image without really being committed to fair-trade ethics, and this trend has created difficulty in differentiating organizations such as Equal Exchange, which commit to sell only fair-trade products, from the ones that use fair-trade only as a strategic tool to promote their business (Barrientos, Conroy, & Jones, 2007). After all, although big corporations such as Starbucks have begun selling a “fair-trade” label, their sale of fair-trade products is just a nominal share of their total transactions. This trend of expanding the fair-trade market to include multi-national corporations that have traditionally participated only in free trade has also generated contradictions in the fundamental principles and goals of fair-trade (Jaffee, 2007). While attempts at mainstreaming fair-trade products have contributed to the growth of fair-trade markets, there is growing concern that the inclusion of profiteering corporations may transform

the fair-trade movement into the very trading practice – free trade – to which the movement began as a counter.

The fair-trade organizations have not only established relationships with large-scale sellers; they have also started certifying large agribusiness plantations, putting small producers at a great disadvantage. The fair-trade certification of large plantations compromises the movement's commitment to small producers as this process puts them, rather unfairly, in competition with highly profit-motivated plantations (Jaffee, 2007). Although fair-trade certified plantations are required to provide decent wages and decent working conditions to workers and allow them to form unions, there are allegations that the labor conditions in the large plantations are very poor (Jaffee, 2007, p. 218). The fair-trade movement activists are concerned that "Fair Trade labeling will be used as a corporate public relations tactic and that fair-trade standards will not ... be upheld" by large corporations (Raynolds, 2007, p. 75). The fair-trade certification of large plantations is also related to market extension efforts – attempts to sell fair-trade products in supermarkets. While mainstreaming the products, supermarkets usually ask for a guarantee of quality and a large-scale supply, and this demand of supermarkets is one reason motivating fair-trade labeling organizations to certify large plantations. These changes in the sourcing arrangement, however, favor commercially oriented farmers and plantations, consequently limiting small producers' chances to compete within fair-trade markets (Raynolds, 2007).

The inclusion of large corporations – producers that are primarily free-trade – in the name of market expansion efforts seems to come at the cost of the very mission of fair-trade: helping small, disadvantaged producers. Low & Davenport (2005) describe the ambivalent situation of the fair-trade movement this way: without establishing business ties with mainstream business, a large scale of change is unattainable; however, an "uncritical engagement with mainstream

business risks absorption and dilution of the movement” (p. 152). The challenge ahead, thus, lies in market expansion without compromising fair-trade principles, including the movement’s mission of providing support for the socio-economic development of disadvantaged producers, especially those in the South.

Manifold Interpretations of Fair-trade

The fair-trade challenge to expand without compromising its values stems from differences among participants’ perceptions and interpretations of fair-trade. Three groups actively involved in the fair-trade network— producer organizations, fair-trade certifiers, and fair-trade buyers, usually in the North – often holding different perceptions of fair-trade. The perception of and commitment to fair-trade of another group – consumers – also plays a crucial role in the success of the movement. Fair-trade certifying organizations such as FLO and WFTO, which are often viewed as the fair-trade governing bodies, have collectively developed what they call *A Charter of Fair Trade Principles* to transmit an “authentic” definition and guiding principles of fair-trade to their members (WFTO & FLO, 2009). The five core principles of fair-trade mentioned in the *Charter* are – market access for marginalized producers, sustainable and equitable trading relationships, capacity building and empowerment of producer organizations, consumer awareness raising and advocacy, and emphasizing fair-trade as a “social contract” (between buyers and producers). The *Charter* also includes some “additional Fair Trade Dimensions”, according to which the fair-trade organizations are required to provide decent working conditions as defined in ILO Conventions, practice environmental sustainability (in production and trade), and engage in monitoring and evaluation (for assessing compliance and impact). Although the members of FLO and WFTO are organizations and people who are

supposed to be “100% fair-trade” – fully committed to fair-trade principles –WFTO or FLO members are not the only practitioners of and participants in fair-trade. Owing to a broad range of fair-trade participants, differences in perceptions of fair-trade persist not only between the four groups mentioned above; there are also serious differences among participants in these groups as they are comprised of people and organizations with different interests and emphases.

Raynolds (2009) contends that there are three types of buyers currently participating in fair-trade: mission-driven enterprises, quality-driven firms, and market-driven corporations, all of which have divergent objectives. The mission-driven organizations, which sell 100% fair-trade products, are fully committed to fair-trade principles. They provide support to producers and establish a long-term trade relation with them. The quality-driven firms, though they “selectively foster fair-trade principles,” are primarily interested in fair-trade due to the high quality of the fair-trade product (p. 1083). The market-driven corporate buyers, which are increasingly being incorporated into the fair-trade system, purchase a nominal quantity of fair-trade product in order to halo their image (Raynolds, 2009). While the first group of buyers perceives fair-trade as a medium to create small producers’ access to markets and help for their socio-economic development, the large corporations exploit the fair-trade image to increase their business in the mainstream market. Fridell (2004) considers the growth of the fair-trade market through the incorporation of large corporations – the main actors of global trade and the advocates of market deregulation – as the failure of fair-trade movement.

As with the different types of buyers with different views of fair-trade, we also do not find a singular view among producers and producer organizations. Different types of producers or producer organizations involved in fair-trade – producer-owned-cooperatives, not-for-profit non-government organizations (NGOs), private companies, public companies, and agribusiness

plantations – hold conflicting motives. Though fair-trade is providing market opportunities to small producers, most of them lack knowledge of what fair-trade is and how it works, and may even have no idea that they are participating in fair-trade (Murray, Raynolds, & Taylor, 2006; Shreck, 2002). In their study of Latin American coffee producers, Murray et al. (2006) find a lack of fair-trade knowledge among producers due to their exclusion from decision-making activities. It is the cooperative leadership, not the producers themselves, which handles most of the activities related to fair-trade, such as sales, market, or certification, thus depriving producers of opportunities to learn about fair-trade. This means that the producers participate in fair-trade without an understanding of the vision of fair-trade, hence the lack of producers' commitment to fair-trade. This often leads to producers' defection of both the fair-trade network and the cooperative when the producers receive a better price in the traditional market (Murray, Raynolds, & Taylor, 2006). Though the lack of producers' knowledge of fair-trade “may not prevent other positive impacts of Fair Trade from reaching the community, until a more comprehensive understanding of their role is developed, equitable partnership may remain elusive” (Shreck, 2002, p. 19).

Producers generally view fair-trade affiliation as an opportunity to sell their products, often at a better price, and in many developing countries it is touted as a strategy for rural development (Raynold & Murray, 2007; Shreck, 2002). While fair-trade provides market access to the disadvantaged producers, there are also large-scale plantations of produce such as bananas, joining fair-trade networks. The large plantations, just like the corporate buyers, perceive fair-trade in terms of a label, with certain values, which helps to burnish their image and increase their sales, awarding them a competitive advantage over other producers (Raynolds, 2007). Fair-trade labeling was extended to banana producers with an objective of supporting small-scale

banana producers and drawing attention to the negative impacts of large-scale banana production. However, the certification of large corporations, which are not necessarily committed to fair-trade principles, might jeopardize “the very survival of small mission-driven entities forced to compete with dominant corporations which benefit from substantial economies of scale in production, distribution, and sales and commonly use their market power to drive out competition” (Raynolds, 2007, p. 76).

Thus, it cannot be assumed that fair-trade is perceived and understood in the same way by different participants. The various people and organizations have different motivations for their involvement in fair-trade: while some want to contribute to the socio-economic development of producers, others want to exploit it as an opportunity to promote their business and burnish their image. The small producers, though many of them may in fact have no knowledge of fair-trade principles, practice fair-trade as it provides them access to the market and a somewhat better price for their products. The large-scale producers, on the other hand, join fair-trade due to the value of its label, to gain one more advantage over other producers (as they already have the advantages of large capital and large-scale production). Fair-trade coordinating organizations such as FLO and WFTO, on the other hand, have pressure to carry out the apparently contradictory goals of expanding the market, mainstreaming fair-trade products, providing support to more producers, and emphasizing fair-trade principles.

Fair-trade and the Socio-economic Development of Producers

The emphasis on increasing the fair-trade market and sales, while essential to providing support to more producers, has also encouraged a tendency to evaluate the strength of fair-trade on the basis of market success alone, often overlooking the primary objective of fair trade:

improving the socio-economic development of small producers. As Jaffee (2007) contends, since the main driver behind the development of the fair-trade system is the plight of small farmers within the landscape of free-trade, they should be considered an important stakeholder of this trading system; thusly, positively impacting their material conditions should be the main objective of fair-trade organizations. Fair-trade has specific goals of supporting the disadvantaged producers by providing a fair return on their work and a continuity of income through sustainable development (Blowfield, 1999). In addition, fair-trade organizations also abide by the principles of creating opportunities for disadvantaged producers, direct communication and fair relations between producers and buyers, and providing training for capacity building of the producers (WFTO, 2011). Though fair-trade has definite goals of providing social and economic benefits to small, disadvantaged producers in the South, the extent to which the fair-trade system has been able to achieve these goals is in question (Arnould, Plastina, & Ball 2009; Hira & Ferrie, 2006; Jaffee, 2007).

Wilshaw (1994) attempted to assess the impact of fair-trade on producers as early as the 1990s. In his study of fair-trade producer groups (perfume and incense making groups) in Bangladesh, Wilshaw observed some positive socio-economic impacts on producers' lives such as better income and an increase in their ability to work on their own, due to the training they received from other fair-trade organizations. In addition to a fair price, the producers benefitted from services such as training, skills upgrading, product design and development, etc., of their trading partners (Wilshaw, 1994, p. 24). Though Wilshaw is one of the earliest scholars to evaluate the impact of fair-trade on the lives of producers, he fails to truly assess the fair-trade impact. His work lacks an in-depth analysis and functions more so as what Paul (2005) describes as a "consultancy report."

Paul's (2005) answer was to develop a methodological framework that would more thoroughly evaluate the strength of the fair-trade system. Paul views every fair-trade production unit as a kind of "project" and therefore calls for assessments of fair-trade to use five criteria of project evaluation – effectiveness, efficiency, impact assessment, viability, and relevance (p. 146 - 47).

By effectiveness, Paul means the evaluation of whether the fair-trade objectives have been achieved. Paul considers the fair-trade system effective if it has achieved those objectives in a specific context of production. According to Paul, effectiveness can be measured "by comparing the study group with a counter-factual, i.e., with producers who are comparable but not engaged in the fair-trade network" (p. 145). Efficiency can be measured by "splitting the costs and the increase in value between the different levels of the sector (fair-trade [and non-fair-trade]) over time, just as for the allocation and use of the fair-trade premium between the levels" (p. 145). Paul considers the next criterion – impact analysis – the most important in the evaluation of fair-trade. She argues that it is necessary to analyze both the tangible and intangible impacts of fair-trade on producers at different levels. We need to study the impacts "in terms of incomes and living and working conditions, access to markets, capacity strengthening (technical, knowledge, organization, governance, political influence, etc.), gender, environment, and more intangible impacts (social capital, self-esteem, etc.)" (p. 146). Paul argues that it is important to study fair-trade's contribution to the development of natural, physical, social, and financial "capital" of producers and their organizations (p. 146). Likewise, viability refers to an assessment of social, economic, and ecological sustainability of the fair-trade production system. Finally, it is necessary to analyze the relevance of fair-trade through an assessment of "whether it is an adequate means of supporting sustainable development in the light of the other four

criteria” (Paul, 2005, p. 147). While each component of Paul’s methodological framework is used to evaluate the fair-trade system as a whole, the specific impact on producers could also be successfully assessed by using her criterion.

Using some aspects of Paul’s methodological framework for fair-trade evaluation, scholars have assessed the impact of fair-trade on producers in recent years (Arnould, Plastina, & Ball 2009; Jaffee, 2007; Murray, Raynolds, & Taylor 2006; Shreck 2002), but mostly with a focus on how the fair-trade producers are performing. Absent from many assessments is analysis of the differences between the fair-trade producers and the ones producing for traditional markets, analysis that is necessary if an assessment of impact is to be made. Jaffee (2007) stands among the first to systematically analyze the impact of fair-trade on the socio-economic conditions of coffee producers. In his study of Mexican coffee producers, Jaffee discovers that although the fair-trade producers’ situation is better, especially during price crisis, their condition is nevertheless similar to that of conventional coffee producers, suggesting that the producers have not benefitted from the fair-trade system as much as has been claimed by the Northern partners. Though fair-trade is an exemplary movement that emerged to challenge the existing economic system, its role in improving the socio-economic conditions of the Southern producers, as Jaffee claims, is “necessary but not sufficient” (p. 198). Arnould et al. (2009) assess the fair-trade impacts on Latin American coffee producers on the basis of three measures: economic, education attainment, and health. Although they do not find strong positive impacts of fair-trade on producers’ lives with regard to these measures, fair-trade participants were still doing somewhat better than non-fair-trade producers.

While a higher income is one indicator of improvement in fair-trade producers’ conditions, other aspects such as capacity building of producers and their organization,

producers' democratic participation within the organizations, and empowerment of women and underprivileged groups are also equally important. Taylor, Murray, & Raynolds (2005) contend that the contribution of fair-trade extends beyond the improvement in living conditions of coffee producing communities. They find fair-trade also contributing to the development of alternative "governance arrangements along the coffee chain, as producers gain new skills, develop new organizational capacities and improve their ability to negotiate with other actors, including the state" (p. 201-202). They argue that fair-trade initiatives empower the producers by requiring them to form a cooperative and be actively involved within the organization in decision-making activities. However, the producers often lack (active) participation in different organizational activities, as it is the cooperative leadership, not the producers, that usually makes important decisions (Murray, Raynolds, & Taylor, 2006).

With the fair-trade certification of large-scale producers or producer organizations that hire a large number of wage-workers, it has become essential not only to re-define "producers" – who should be considered "producers"?; it has also become necessary to add a different perspective to the assessment of fair-trade impact, giving adequate attention to the socio-economic conditions of wage-workers, the "real" producers, as well. Fair-trade coordinating organizations have set some minimum requirements for the producers and producer organizations, which include: 1) not using child and forced labor, and 2) adopting policies of non-discrimination, transparency, decent working conditions, and environmental sustainability in the production process (WFTO, 2011). Thus, while assessing the fair-trade impact, it has become essential to see not only whether the producers or producer organizations comply with fair-trade principles; it has become equally important to identify the "real" producers and note if the fair-trade benefits trickle down to them and their communities as well.

Conclusion

Different factors have contributed to the recent growth of fair-trade sales. The initiatives on the part of fair-trade certifying organizations to include more products and more producers in the fair-trade system create a need to find more buyers. This, in turn, has resulted in the certification of large corporate buyers, the main players of global free trade, to sell fair-trade products. Unfortunately, these corporations are not committed to fair-trade principles, nor do they seek to cultivate long-term relations with producers. They sell a nominal share of fair-trade products and proclaim themselves “fair-trade” practitioners. The fair-trade movement is currently faced with dilemmas – whether to emphasize market or fair-trade principles; and whether to criticize the mainstream markets or get into the mainstream markets. The fair-trade movement is not actually choosing one from these options; it is carrying out these contradictory ideas together. The contradictions in fair-trade are, thus, related to different sorts of fair-trade participants and practitioners, who perceive and interpret fair-trade in a way that suits their interests. The heterogeneity in the perception of fair-trade is not limited to buyers only; the producers are also significantly different from each other in terms of how they perceive and practice fair-trade.

In the present chapter, I have argued that it is crucial to assess the impact of fair-trade on producers in order to understand how effective and successful fair-trade is, as one of the main objectives of fair-trade movement is to help for the improvement in socio-economic conditions of producers. Some scholars have tried to understand the impact on producers, and the findings generally show that the contribution of fair-trade in the improvement of producers’ lives is minimal. Some scholars, however, could not truly evaluate the impact of fair-trade due to methodological limitations. Addressing the weaknesses of the methods for evaluating fair-trade,

Paul (2005) develops a theoretical framework for fair-trade evaluation. Paul argues that fair-trade should be evaluated using five criteria– effectiveness, efficiency, impact assessment, viability, and relevance.

This chapter’s situating of fair-trade in a context of challenges and contradictions, as well as the consideration of research and methodology used by many scholars in assessing fair-trade’s impact lays the groundwork for the next chapter. The next chapter discusses how Nepalese handmade paper producers perceive, interpret, and practice fair-trade. The analysis of the impact of fair-trade on Nepalese handmade paper producers relies on aspects of Paul’s methodological framework – primarily her method of impact analysis. The impacts will be analyzed not only in terms of incomes; issues such as working conditions, employment for women and disadvantaged groups, and capacity building of producers will also be given adequate consideration.

Chapter 4 - Fair-trade and Handmade Paper Producers in Nepal

Knowledge, Perception, and Practice of Fair-trade

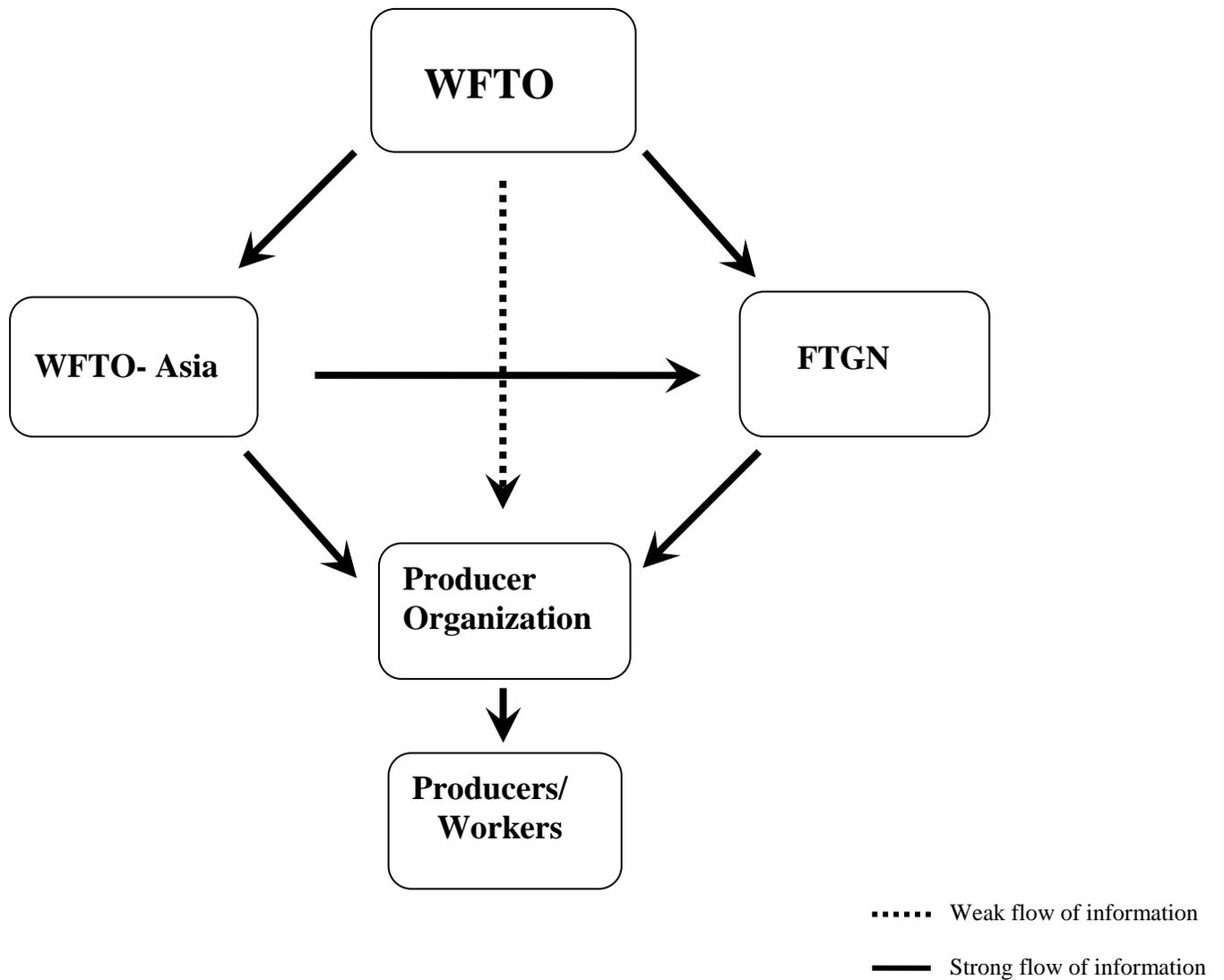
Awareness of Fair-trade

In Nepal, fair-trade is largely coordinated through WFTO, WFTO-Asia (a regional chapter of WFTO), and FTGN (the country coordinator of WFTO in-country members in Nepal); and it is also through these organizations that a definition of fair-trade is transmitted to the producer organizations, and it is through the organization leadership or the company officials that the producers/workers learn about fair-trade. However, the definitions passed on may vary; therefore, as discussed in the previous chapter, producers and producer organizations currently participating in fair-trade differ from each other in terms of knowledge, perception, and practice of fair-trade. The present study finds that the differences in understanding and practice of fair-trade prevailed not only across producer organizations; the various groups of people within same organization – workers, supervisors, and company officials – also significantly differed from each other in terms of their understanding of fair-trade.

WFTO, which claims to be “a global authority on Fair Trade,” is currently one of the largest fair-trade certifying organizations at the global level, with over 400 member organizations worldwide (WFTO, 2011). It provides fair-trade certification to craft producer organizations, which “demonstrate a 100% Fair Trade commitment and apply its 10 Principles of Fair Trade” (WFTO, 2011). For the handicraft-producing companies in Nepal, fair-trade largely means having an affiliation with WFTO and its network, as obtaining a membership of WFTO, WFTO-Asia, and/or FTGN was the only way to be recognized as “fair-trade” companies, the designation of which was needed in order to enjoy the opportunities of trading with fair-trade buyers. Two of the three companies that are this study’s focus, BCP and GPI, are members of

WFTO, WFTO-Asia, and FTGN, and they gained information about fair-trade through interaction with these organizations and their subsequent participation in fair-trade markets. The producers and workers for BCP and GPI, on the other hand, learned, or were supposed to learn, about fair-trade through the company officials or by participating in various activities of the company.

Figure 4.1: Chart Showing the Flow of Fair-trade Information in Nepal



The study finds that knowledge about fair-trade in fair-trade participating companies was basically limited to a few top-ranked officials. The companies were represented by even fewer officials while dealing with buyers, certifiers, or while participating in different fair-trade fairs and conferences. As a result, the flow of information sputtered, and producers were provided very minimal or no opportunities at all to learn about fair-trade. Although BCP had been affiliated with fair-trade for more than a decade and every worker, who was also a shareholder of the company, had been working there for around two decades, none of them knew anything about fair-trade: what fair-trade was, how it worked, and even whether their company was participating in fair-trade. Thus, the study finds that even in a fair-trade company, the participation of all in decision-making is not guaranteed. It was a few company officials who made decisions, without adequately informing other employees.

The GPI workers' understanding of fair-trade was almost as minimal as that of BCP – even despite there being a few signboards on the company premises that expressed WFTO's definition of fair-trade and the signboards also indicated that GPI was a fair-trade participant. Most GPI workers knew very little to nothing about fair-trade. The only respondent to have some knowledge of fair-trade was a permanent worker, who viewed it as “a production practice, which is based on transparency, which does not hire child labor, and which provides good wages and facilities to the workers.” While this conception of fair-trade and the idea of “good wages” held true to many permanent workers at GPI, most of the temporary workers were not sure if they were receiving a fair wage. Though a couple of temporary workers had heard or seen the term “fair-trade” somewhere in the company, most of them did not even know that GPI was a cooperative. Their perception of GPI as a private company was not surprising, though, given that the temporary workers were wage workers, not members of the cooperative. Many of them

had seen little or no improvement in their status or income, regardless of their length of service in the company.

Fair-trade as Good Business

Although almost all producers in the fair-trade affiliated companies of BCP and GPI lacked any knowledge of fair-trade, even company officials lacked a shared commitment to and understanding of fair-trade, many of them expressing different reasons for affiliating with the fair-trade network. Common within the different explanations, however, was the hope that joining fair-trade would help promote business. For survival in the very competitive global markets, it was important for small companies to find not only multiple trading partners but also committed partners to sustain market fluctuations. As stated by a BCP official:

The main reason to be associated with fair-trade is to diversify our business and increase our sales. At first, we were affiliated with only one organization, UNICEF, and this organization was our sole buyer or the sole market. However, once we were independent of UNICEF and UNICEF stopped buying our products we were in need of some other trading partners. Fair-trade is helping to find buyers abroad.

The producer organizations were attracted to fair-trade due to a sense of business security the fair-trade system provided through its commitment to a long-lasting relationship. The BCP official emphasized this idea as he further explained the reasons for BCP's participation in the fair-trade system:

We also get a sense of security while being associated with fair-trade as there is a guarantee of market. We work as a team in the fair-trade system and that eventually paves a way for market development.

One main attraction of fair-trade was the value of the fair-trade label and logo in the global market. The handicrafts companies could not use a fair-trade label on their products as the use of such a label was limited to agricultural products only, but the paper companies could use

WFTO logo to identify them as a fair-trade company, and this logo still carried certain values in the global market.

Figure 4.2: WFTO Logo



As an official of BCP asserted,

Obtaining a fair-trade logo is more than like getting an NS mark⁵. It helps to sell products in the global markets. Fair-trade has certain standards and as we maintain these standards and follow fair-trade principles, we can benefit from its name ... it definitely helps to promote our business.

The producer organizations' interest in the value of the fair-trade label at a global level led them to a commitment to fair-trade principles.

The data supported the claim that fair-trade affiliation was helpful to promote business as the total sales of both GPI and BCP had sharply increased over the last few years. GPI's sales almost doubled from 46 million rupees (0.65 million dollars) in 2006/2007 to 88 million rupees (1.24 million dollars) in 2009/2010 (personal communication, 2010). All this growth cannot be attributed to fair-trade affiliation alone though, as fair-trade buyers contributed to less than 20%

⁵ A "Nepalese Standard" mark provided by the government of Nepal to Nepalese industrial products that meet certain requirements.

the total sales (personal communication, 2010). Nevertheless, GPI's fair-trade affiliation seemed to have a positive impact on the total transactions of the company, by motivating commercial buyers and GPI's main trading partner, Body Shop, to buy more from the fair-trade company. Although fair-trade affiliation was not a complete solution for the financial crisis of BCP, it did somewhat help the company overcome the crisis and bounce back to the previous level of business when BCP started functioning independently of UNICEF and lost its only trading partner. In the last three years their sales have nearly doubled to reach 7.5 million rupees (around 100 thousand dollars). Although it was still much less than their business of around five years ago, when UNICEF bought their products, an increase in sales suggests that the diversification of trading partners has at least helped them to survive.

Another attraction of fair-trade was the accompanying membership it would provide in different programs of fair-trade coordinating organizations, such as WFTO, Fair Trade Asia, and FTGN. These organizations not only provide networking opportunities with prospective clients and partners; they also provide trainings on quality control, quality management, production, environment, health and safety, etc., to their associates to help develop an efficient and sustainable production system. The paper companies stated that they were benefitting especially from the trainings coordinated and provided by FTGN. According to FTGN, while they provided certain trainings themselves, experts from foreign countries were also hired to address the specific training needs of member organizations. The paper companies stated that the different fair-trade organizations and affiliates were helpful with both enhancing their trade and eliminating misunderstandings with their trading partners.

As the paper companies joined the fair-trade network and started trading with other fair-trade companies they felt differences between fair-trade partners and other commercial buyers.

According to a GPI official, fair-trade partners were easily distinguishable from other commercial buyers:

Fair-trade partners are more open and liberal. They quickly understand our problems. For instance, if we face unprecedented problems and cannot deliver our products on time they do not immediately cancel the order; rather we engage in interaction. Moreover, the fair-trade organizations have a good knowledge of our limitations in the Northern market. In Nepal, our production is often affected by different types of strikes or Nepal-Bandh⁶. Just a few weeks ago, the company was shut down for ten days due to the nationwide political strike by political parties. The fair-trade buyers understand this kind of situation.

As they began trading with fair-trade buyers they also noticed a commitment to a long-term partnership. According to a BCP official, it was both advantageous and convenient to trade with fair-trade partners because they were not only committed to buying the products for a long time; they also shared information in a timely manner:

Fair-trade buyers have been continuously purchasing from us. They provide us the schedules of the products they would buy from us every month. They tell us in advance about the quantity of the products they would purchase in a given year, and on the basis of this information we plan our production.

As observed by the paper companies, the timely sharing of information and an open discussion of problems and misunderstandings were some attractions of working with fair-trade partners.

Determining the Price of Fair-trade

Although fair-trade is presumed to provide a better guaranteed price and a stable market to the participants, the paper companies did not hold this perception. The mechanism of determining price in handicrafts was different from that of agricultural commodities, the highly traded fair-trade products. Unlike agricultural products such as tea and coffee, the consumer taste for handicrafts changes very quickly and the producers face a constant pressure to modify the product designs. Due to the change in product designs and differences in the production cost

⁶ This is a nationwide general strike, which calls for a shutdown of everything, including transportation, schools, and industries.

a base price for handicraft products like paper crafts is usually irrelevant. A GPI official described the condition in this way:

In our case we do not produce the same item time and again. Our products constantly change. As the shape, size, and structure of the products keep on changing each new item has a different production cost. Thus, we set a new price for every new order of our products.

The paper companies believed that the fair-trade buyers did not necessarily pay a higher rate. In the words of a BCP official, the mechanism for determining price was a bit different: “The buyers do not set the price; we have our own price for our products. Our price is same to every buyer we sell to, whether they are fair-trade, UNICEF, or non-fair-trade buyers.” In the case of a few items they produced constantly, without changing designs, they reported that the price had remained the same for over ten years. According to a GPI official, “every fair-trade buyer does not pay reasonably to our products; while we do not want to lose our partners it is often hard to produce the same items at the cost of a decade ago. It is a problem that some fair-trade buyers refuse to timely raise the price in accordance with an increase in production cost.” Thus, more than a higher price for their products, it was the possibility of finding multiple and more reliable trading partners that fascinated the paper companies to join fair-trade.

The paper companies expressed that though fair-trade was different from traditional trade, competition was nevertheless prevalent. They stated that the underlying principle of any market, including fair-trade markets, was “competition,” although it contradicted the basic fair-trade logic of protecting the market participants through cooperation. As explained by a BCP official,

The market is always competitive, whether it’s a traditional market or a fair-trade market. There is competition in fair-trade too. If buyers find the same product at a cheaper price they will definitely buy that product from others. Fair-trade is after all a trade and the participants are doing a business. However, we offer a high quality product to the fair-

trade buyers, and they pay us for that. Actually, the quality product of our company is our strength.

Thus, the companies did not believe that their products were simply bought because they were fair-trade companies; rather, they produced a quality product at a cheaper price, exemplifying that the competitive market and pressures to produce at a cheap price still function as an important characteristic of the fair-trade market. Fair-trade buyers sometimes have some convincing reasons to ask for a reduction in price. A GPI official explained:

The buyers sometimes tell us that a particular product of our company is not salable in the market at a stated price. Instead of simply refusing to buy our products, they honestly explain why they cannot sell these products in the markets due to the price. They have a good knowledge of the market that the product is going to be sold in Let's take the case of greeting cards. They have to take into account at what price a greeting card is being sold in the local market. It's not guaranteed that all customers follow fair-trade principles...if a normal card costs two dollars and a fair-trade card costs four dollars, the customers are very unlikely to buy the latter item.

Even though the buyers had good intentions of buying the maximum quantity of products from their partners that they could, they still had to weigh those intentions against sales potential in competitive markets. According to a GPI official,

Our buyers intend to buy more products from us; however, as they enter the market for sale, they find themselves in a competitive disadvantage due to a higher price. The main problem is, thus, the price of products, though the quality of the products also matters.

Although the high quality products of the paper companies and their fair-trade affiliation both had some values in the global markets they faced difficulty in selling their products if the production cost was high. There was, thus, a constant pressure to reduce cost in order to compete in the market – to compete against other cheaply-produced items.

However, a positive point of this trading system emerged: good communication and an understanding between the fair-trade partners, which contributed to a long-term trade relationship between them. As the companies explained, fair-trade buyers do not necessarily

force the producer organizations to compromise the fair-trade principles in a bid to reduce the price. Instead of urging the producers to reduce the price, the buyers engage in dialogue and interaction with them. The GPI official further said,

They do not simply direct us to reduce the price; rather they ask us if we could find some ways to become more cost effective, without exploiting the workers and maintaining the fair-trade values.

The fair-trade buyers often even go to the extent of providing trainings to the producer organizations to help them apply more efficient methods of production. Such a relationship is not a cutthroat, business-only transactional relationship; rather, it is an investment.

Fair-trade and Change in Organizational Structure

The presumed benefits of fair-trade not only attract the producing companies; these benefits also motivate them to transform the organizational structure and change their objectives so as to help the development of producers. Fair-trade advocates argue that only within a democratic organizational framework can the socio-economic development of producers be expected, and therefore the fair-trade certifying organizations require the producers to form a cooperative in order to participate in fair-trade. As members of the cooperative, the producers are expected to get actively involved in decision-making and have their say in how the organization should operate. GPI, which was started as a private company, underwent institutional transformation to adopt a “cooperative” model after the company learned about the apparent benefits of fair-trade and realized the need to have a different institutional set-up in order to be affiliated with the fair-trade network. Though GPI was a WFTO member even while it was a (fully) private company, the suggestions of WFTO and FTGN motivated it to apply a cooperative model so that producers would benefit more. This, however, does not mean that fair-

trade benefits motivate every private company to change the organizational structure and fulfill other requirements such as transparency, decent working conditions, fair wages to workers, etc., in order to be identified as a fair-trade practitioner.

For many companies, especially those that were not affiliated with a fair-trade network, fair-trade meant nothing more than a label – a label that helped them sell their products to a different set of buyers. It was only after buyers asked producer companies and retailers if they were a fair-trade company or whether their products had a fair-trade label that they tried to join fair-trade. An FTGN official explained,

Most of the people ask us about fair-trade when buyers ask them for a fair-trade label. The producing companies and sometimes retailers in Thamel⁷ call us asking what they were required to do in order to get the fair-trade label their buyers demanded Some people come to our office saying that they learned about the office (FTGN) through the buyers and needed the label within a week or so Of course, this is not something we give and they take; it is a different practice that requires implementation of certain principles. But as they learn about the requirements they never come back.

Many of these companies did not want to change their production practice, refusing to be transparent on their accounts and declining to provide information about employee working conditions (remuneration, work schedules, etc.).

Only certain companies – which somewhat cared about producers, were willing to share the benefits of trade with producers, and had an interest in community development – decided to practice fair-trade and affiliate with WFTO and other fair-trade organizations. These companies had principles that already aligned somewhat with those of fair-trade, making the affiliation somewhat of a natural next step. Such companies applied for fair-trade membership hoping that it would help them move in a more systematic way, providing more benefits to the producers.

The GPI and BCP officials argued that they were practicing fair-trade principles long before they

⁷ a tourist market in Kathmandu city

formally joined the fair-trade network, or even before they had heard about fair-trade. As a GPI official claimed,

We were committed to the well-being of producers from the very beginning. We were first affiliated with the community trade of Body Shop as our principles matched with theirs since they also focused on producers and community development. The community trade we participated in had a narrow scope as it fit only under the umbrella of Body Shop. Thus, we decided to join WFTO and participate in fair-trade, while also maintaining a partnership with the community trade of Body Shop, as the fair-trade principles were also similar to ours.

The companies were not only motivated to join fair-trade due to the marketing benefits the fair-trade logo and the fair-trade networks provided. The organizational objectives and values of fair-trade participants were different from non-fair-trade companies in terms of providing decent wages to workers and commitment to working for their socio-economic development.

Impact on the Socio-economic Conditions of Producers

Though fair-trade should theoretically improve socio-economic conditions of producers, not all producers and workers within a fair-trade network may receive the benefits of fair-trade. While the paper companies had different reasons for engaging in fair-trade and the fair-trade participation was advantageous to them, it could not be guaranteed that the benefits of trade trickled down to the workers, the real producers. An assessment of fair-trade must also assess the socio-economic conditions of producers; thus, this section of the chapter analyzes how or whether fair-trade has had positive impacts on handmade paper producers in GPI and BCP, and if any differences exist between the workers in these fair-trade companies and those in a non-fair-trade company, BPI, in terms of payment and other conditions for workers.

On principle, fair-trade organizations are required to abide by International Labor Organization (ILO) conventions and national laws in regards to the issues of child labor, working

conditions, remuneration, and other facilities for workers. In Nepal, the FTGN had not set minimum wages for workers; however, all member organizations were required to pay workers higher than the government rate. Additionally, the companies were also required to create a provident fund (equivalent to 20% of the basic salary of an employee, with employee and employer each contributing one half) and provide a Dashain allowance.⁸ Furthermore, the member organizations were encouraged to provide medical facilities and educational scholarships to workers and their children.

Table 4.1: Government Rate of Minimum Wages for Workers per Month (in Nepalese Rupees¹)

| | Basic Salary | Allowance | Total |
|----------------------------|---------------------|------------------|--------------|
| Unskilled Worker | 3050 | 1550 | 4600 |
| Semi-skilled Worker | 3100 | 1550 | 4650 |
| Skilled | 3210 | 1550 | 4760 |
| Highly Skilled | 3400 | 1550 | 4950 |

¹ conversion rate: \$1=71 rupees

(Source: Government of Nepal, 2009)

In BPI, a non-fair-trade company, only three workers were paid above or equal to the government rate. All three workers were men; two of them held supervising positions and their monthly income far exceeded the wages of ordinary workers. The remaining interviewees'

⁸ Dashain is a major Nepalese festival. Employees are usually paid a bonus equivalent to their monthly basic salary to help them cover the additional expenses the festival incurs.

wages ranged between 3000 to 3800 rupees a month, much less than the government rate. While none of the minimum wages were sufficient to meet the most basic needs of a worker and family, most of the workers in BPI received even less than that. Most of the workers either did not receive at all or received a meager amount (25 – 50% of basic salary) as Dashain allowance. The BPI workers worked for 8 hours daily, with a 30-minute recess every 5 hours of work and a day off per week, and this provision was compatible with the labor law of Nepal.

Both BCP and GPI also complied with the working conditions for workers as defined in ILO Conventions and the labor law of Nepal. BCP workers worked less than 40 hours a week and GPI provided extra wages to workers if they worked more than 8 hours a day. The BCP workers did not earn better than BPI workers as their salary has decreased due to the financial crisis facing the company. While each worker's monthly salary was above the government minimum wages, none of the workers, all of whom were shareholders of the company, were actually receiving their regular salary due to the decline in sales. They received one half to one third of their regular wages, making no more than Rs. 2500 a month, with a 35-hour workweek. Both the work hours and wages for every employee, including the company officials, had sharply decreased over the past few years due to decline in sales and unavailability of work in the company. As expressed by a male worker, the pay was by no means sufficient to fulfill the basic needs of even a single person:

My salary has gone down. I am very disappointed. My family was happy that I was employed in a company, but now my spouse is not happy about my wages as it's hard to survive with this income. I think I will have to find another job if the situation does not improve.

The wages of GPI workers largely differed according to their status as a permanent or a temporary worker. The temporary workers were paid according to the number of items they produced, and their income ranged between 4500 to 6500 rupees a month. By contrast, the

permanent workers, who were also the members of the GPI cooperative, received a fixed amount of money as basic salary plus an extra payment per the number of items they produced, and thus earned in total between 6000 to 12000 rupees per month. These salaries also included the money they earned by working extra hours, around 12 hours a week, on top of 48 hours of regular work. As the company had a lot of work during the time of interview most of the workers were working from 7 a.m. to 5:30 p.m. (though usually they worked from 9:30 a.m. to 5:30 p.m.), with a day off per week. As members of the GPI cooperative, the permanent workers received an annual bonus, depending upon the total profit of the company in a given year, and also a Dashain allowance. Each member had received a three-month salary bonus last year. GPI also provided medical coverage for the cooperative members (permanent workers) and educational scholarships to their children. The temporary workers did not enjoy the other benefits, such as Dashain allowance, annual bonus, medical facility, and educational scholarships for children. On work days, while the company provided two free meals – lunch and snacks, to permanent employees, the temporary workers received one free meal – snacks. Thus, while most of the permanent workers had a “decent income”, a majority of the temporary workers reported difficulty in fulfilling their basic needs with current wages.

The fair-trade system posits the producers at the center of trade, contending that trade should benefit the producers. The workers producing for fair-trade companies are supposed to be paid decent wages – wages sufficient to meet the needs of the worker and family. In Nepal, the minimum wages are not sufficient to fulfill the basic needs of a worker with an average family size of 4.5 members; yet, a majority of enterprises do not implement even the minimum wages due to weak government regulation and an absence of trade unions in many medium and small enterprises (Dahal, 2002). In a developing country like Nepal, where many factories even

do not comply with the national laws, fair-trade organizations can play the important role of ensuring that workers are paid at least sufficient wages to meet their basic needs. However, there were mixed findings in Nepalese handmade paper companies. While the situation of workers in the non-fair-trade company was worse, the fair-trade companies were not doing much better either: the BCP workers were facing the hardest times, and a huge gap existed between permanent and temporary workers in GPI.

The demography of the workers also differed according to their status as a permanent or a temporary worker. While all the temporary workers interviewed were in their 20s and most of them unmarried, all but one permanent worker were in their 40s and all of them were married. It is a general trend that temporary workers are younger people who have just entered the labor market and lack previous experience. By definition, temporary workers are presumed to work for an employer for a short period of time while looking for a better, more permanent job. However, in the case of GPI, all temporary worker interviewees, except one, had been working in the company for more than six years. Though they were classified as “temporary,” they were fully committed to the company and some of them even viewed their job as “permanent” given that they were employed for most of the year (10-11 months). A majority of the temporary workers, however, were employed for about half of the year only. Although the duration of the workers’ employment ranged from half to nearly the whole year, a very reliable pool of temporary workers was always available to GPI. In other words, as most of the temporary workers had previously worked in the company, GPI did not have to spend time and money to provide them training; they could work productively from the very first day of rehire. Only if the workers were new to the job did GPI provide them in-site training until they became capable of working on their own (which usually took a couple of days). As a GPI official explained:

We do not require seasonal workers for a long time. Most of these workers are the relatives of our staff, who are living nearby the company and are easily available. We do not need to publish advertisements; when we tell them (our staff) that we need a certain number of workers, they find the interested people and bring to the company. We do not specify qualifications; we hire workers without a previous training. With a training of a couple of days, they become just perfect.

There was not much difference among the workers in the three companies in terms of their educational background. Though a majority of the BCP workers had gone to school, only one had completed the School Leaving Certificate Examination (SLC)⁹ as the highest level of education. About half of GPI workers had at least completed the SLC. While one permanent worker held an undergraduate degree, none of them were students at that time. Interestingly, a majority of temporary workers reported that they were pursuing higher education (after SLC) at a higher secondary school or a college. In BPI, the lone non-fair-trade company in the present study, only a couple of workers had attended higher secondary school, completing their SLC. A majority of the workers in each organization were high school dropouts. Most of them had been unable to complete their education due to the pressure weak economic conditions exerted on them to earn money rather than pursue education.

Despite the low level of formal education among workers, all workers highly valued formal education and were committed to providing good education to their children. The workers in both the fair-trade and non-fair-trade paper companies sent their children to private schools, which were much more expensive than public schools (education in public school is free

⁹ In the Nepalese education system, students are required to take the SLC exam in the tenth grade. The exam is held by the Government of Nepal. The SLC exam is still considered an important education degree, an equivalent to the completion of high school education, though this degree is barely sufficient to find a “good” job at present.

up to 10th grade).¹⁰ However, most of the BPI workers and a majority of GPI temporary workers were unmarried and did not have any children. While a couple of BPI workers – who were paid exceptionally higher due to their supervisor position – were sending their kids to a private school, the only temporary worker at GPI to have a child sent to a private school was fortunate to have her husband abroad. None of the GPI permanent workers reported difficulty in providing high school or higher education to their children as their gross family income averaged above 20,000 rupees a month, much higher than the family income of a GPI temporary worker or a worker in BCP or BPI. Although most of the BCP workers also sent their kids to private schools, a majority of them had difficulty in paying for their children’s education. Unlike BCP and BPI, there were some students working as temporary workers in GPI. While a couple of student workers said that their job was helpful in paying for their education, many of them expressed that they were unable to give enough time for study as a result of a time-demanding work schedule. Some of them borrowed money from parents and other family members to sustain themselves in the capital city.

As mentioned in chapter one, Kathmandu Valley is home to a large number of migrant workers from around the country. As employment opportunities are very rare outside of Kathmandu, there is a constant influx of a large number of people to the five cities of the Valley, primarily the capital city, Kathmandu. The companies in the Valley, thus, did not have much difficulty in finding low-wage workers. The handicrafts, garments, and hotels were some of the sectors to employ both the local and migrant workers, paying them minimal wages hardly sufficient to pay for rent, food, and education of children. Though the number varied, both the

¹⁰ In Nepal, almost everyone wants to send their children to a private school because of the low quality of education in public schools. The private schools usually have a small class size and most of the subjects are taught in English, and English knowledge is helpful for finding good jobs.

fair-trade and non-fair-trade companies had some migrant workers. GPI and BPI employed a high number of workers with permanent homes outside of Kathmandu Valley. The number of non-local employees was very low in BCP. Only a couple of BCP workers I interviewed mentioned that they did not own a house in the Valley.

The commitment to work for a company is assumed to be rare if the employees are not satisfied and they do not see a good future in the organization (Testa, 2001; Brown & Peterson, 1994). However, in a country like Nepal where there are very few job options available to even highly qualified individuals, it is unlikely for the mostly uneducated workers to quit their jobs, however unsatisfied they are. Though a high majority of the workers in BPI (a non-fair-trade company) and most of the temporary workers in GPI (a fair-trade cooperative) were unsatisfied with their job, most of them had been working in the same company for more than five years.

Though each BCP employee was a shareowner of the company they were not very happy about their job either due to the decline in wages over the last few years. Most of the workers in BCP were hired within a few years of the establishment of the company and they had been working in the company since then. A company official admitted the hardship of the company, but was reluctant to directly talk about the humiliating situation of having to lower the salary of employees. He described the condition of the company in this way:

UNICEF was our sole buyer since the company was established, but when they dissociated from us abruptly we faced problems. We lost our most reliable buyer, and could not quickly find new partners.

As BCP lost its main trading partner, UNICEF, and could not find new partners abroad, sales went down in such a way that the company was even unable to pay its staff. However, due to the very limited employment opportunities available in the country the company could not sharply reduce the number of employees, nor the employees themselves would want to leave this job

(though a few opted to retire through the voluntary retirement scheme, what they called the “golden handshake scheme,” of the company).

One important element that was obviously present in BCP, somewhat present in GPI, but completely missing in BPI was the employees’ feeling of belonging to the company and the dissemination of information regarding the functioning of the company. The organizational structure influenced the way the information was shared in the company. As each BCP worker was a shareholder they possessed a sense of belonging, identified the failure of the company as their own, and felt that their condition would improve with the improvement of the company. Instead of blaming the top officials for failing to pay what they were receiving few years ago, they pointed to problems facing the company. As an employee reported, “After the UNICEF’s handover our order has declined. The company is not performing well. We do not have much work here; actually, there are much more people than the work available at present.” The workers understood the crisis facing the company, and furthermore, they believed that their situation would be better if they could sell more products.

Though GPI workers also had some knowledge of how the company was operating, the sharing of information was limited. GPI cooperative had three committees formed of permanent staff – the Operational Committee, Finance Committee, and Management Committee – and by participating in these committees some permanent workers were involved at the decision-making level. The permanent workers also learned about different activities, especially the financial situation of the company through an annual general meeting of all members. The temporary workers did not have this kind of opportunity, as they were not hired until there was work in the company and received wages as per the speed of their hand. They did not have any knowledge about how the company was performing; nor did they believe that the company’s improvement

would benefit them, though many of them regarded it as a “good company.” Thus, at the time when temporary workers largely surpassed the permanent staff, the number of people with knowledge about the operation of company would be much less than the number of people who knew very little to nothing about the company.

The situation in BPI was much different. As a strictly private company, BPI owners were not obliged to share information with workers. The workers worked for the company only until needed. Though the workers had a lot of grievances, there was not any organizational body, such as a trade union, to have their voices heard. Most of the workers understood that their income would not improve unless they found a better job at a better organization.

The income of BCP, BPI, and GPI temporary workers did not differ very significantly. The conditions of BPI workers were very comparable to GPI temporary workers in terms of income, feeling of belongingness, and knowledge about the company. However, when work was available in the company, GPI temporary workers earned better than BPI workers. Furthermore, GPI temporary workers were also provided free snacks on workdays and free treatment if they became ill while working in the company. BCP workers were actually earning less than BPI and GPI temporary workers recently; however, they did not consider themselves as wage workers as they held a share of the company. More importantly, they observed that their economic situation would get better if the company performed well; such feelings, however, lacked in all BPI workers and GPI temporary workers. The table below summarizes the wages and other benefits for workers across the three companies.

Table 4.2: Wages and Other Benefits for Workers across BPI, BCP, and GPI

| | Wages (in month) | Allowances | Work- hours (per week) | Scholarship for children | Health facilities | Free meal at work |
|---------------|---------------------|---|------------------------------|-----------------------------|--|----------------------|
| BPI | 3000 – 3800 | Few received (25 – 75% of salary) | 48 | No | No | No |
| BCP | 2500 | Yes | 35 | No | No | No |
| GPI Temporary | 4500 – 6500 | No | 48 | No | Free treatment if became ill during work | 2 times |
| GPI Permanent | 6000 – 12000 | 100% of basic salary at Dashain and additional bonus as per the profit of the company | 48 | Yes | Free treatment any time | 1 time |

Employment for Women and Change in Household Dynamics

As a country with significant unemployment, Nepal has few job opportunities for women.

In this context, handmade paper-making deserves some credit as it is one of the few sectors to create job opportunities primarily for women. The fair-trade paper companies in Nepal also looked fully committed to the fair-trade principle of creating employment opportunities for women as a high majority of workers in both fair-trade companies were women. As a GPI official emphasized, they considered the creation of employment opportunities for women a primary objective of the company:

As we are associated with fair-trade we abide by all its nine principles. Thus, as per the fair-trade principles, we focus on marginalized women who are uneducated, but who could be engaged in money generating works by providing them a short-term training.

Indeed, 60% of GPI's permanent workers and 90% of its temporary workers in the company were women. BCP, which had not hired any new workers in more than a decade, also had a majority of female workers. The demography of the labor force, thus, remained the same even after the company was affiliated with fair-trade in the late 1990s.

Not only the fair-trade companies employed women; BPI, the private paper company, also had a high majority (around 80%) of female workers in the total workforce, which means we cannot simply credit the employment of women in the paper companies to their affiliation with fair-trade. As Banjara (2007) notes, women comprise 80% of the total labor force in the handmade paper sector in Nepal. A BPI owner posited that this high rate was due to women being a comparatively more available workforce than men as an increasing number of men were going abroad for employment. He claimed:

Men are no longer reliable; they can go to a foreign land any time for employment. They work here (in Nepal) until they find an opportunity to go abroad and we also do not force them to stay here as going abroad helps them economically.

Foreign labor markets have become a “reliable” source for engaging a substantial part of Nepalese labor force, and the money these workers remit is a significant portion of the Nepalese economy, contributing to around 25% of national GDP (Nepal Rastra Bank, 2009). A large number of Nepalese workers are predominantly employed in Asian nations, such as Malaysia, South Korea, Japan, Qatar, Kuwait, Bahrain, Saudi Arabia, and The United Arab Emirates, while some go to Europe and America. Each year, nearly 300 thousand Nepalese workers go to foreign countries legally for employment. Almost all these workers are men; women contribute

to less than 3% of the total labor force that leaves the country for employment each year (Department of Foreign Employment, 2010; Upadhyaya, 2010).

A gendered perception of work, low payment, and men's reluctance to work in handmade paper companies viewing it as "women's work" also play an important role in forcing companies to hire more women. Though women are employed in various sectors in Nepal, a gendered perception of work still prevails. Work that is lower-paid and assumed to require little skill or little physical power is usually considered women's work, while work that is somewhat better-paid and postulated to demand more physical strength and more skill is considered men's work. An official of one of the fair-trade companies articulated this perception:

Our factory is also well-suited for women who do not have skills or education to work in other places. Paper or paper craft making activities are very similar to the way women work at home. They can make box sitting on a table/chair, just like at home. This job also does not require much training. Besides, men are involved in other jobs ... and if I have to say straightforward, in Nepal men do not want to do this kind of job. Women come to work here as they think working here is better than staying idle at home

The perception of men as the primary bread winner and any income earned by women as supplemental prevails.

Still, the employment has brought positive changes to women producers' lives. The women producers in both fair-trade companies, BCP and GPI, stated that the job had helped them earn social prestige and a different personal identity. Fair-trade companies' emphasis on creating employment opportunities was helpful for the empowerment of women in Nepalese society, which limited women to primarily domestic work, work that wasn't really considered "work." As a GPI woman worker reported,

Working outside and earning money is a different experience in our society, which does not regard domestic work like cooking, washing clothes, etc., (which are always considered 'a woman's work') a work. Whatever type of work I do, when I say I work here people have a different, more positive, perception (of me) because most of the people know that it is a 'good company.'

The employment opportunity provided a different experience – an experience of earning income and gaining additional knowledge at work – to women workers, which many women were still struggling to have. As a woman worker expressed:

When I started working here, I was barely 20 It felt really good when I got the job and was able to walk out of my house. It was definitely a different experience. Going to work was a very pleasant experience, which many women of my time could not have.

As a country with a large number of workers engaged in non-paid jobs (83.1%), the number of women workers in paid jobs is very small in Nepal. As of 2008, compared to 73.9% of men only 26.2% of women are paid employees (CBS, 2008b). The number of women in paid, non-agricultural jobs was even rare three decades ago when BCP was established with an objective of helping “for the improvement of quality of life of low-income urban and rural families” (BCP). Though not viewed as primary earnings, a woman’s income was still highly valued as it would help to fulfill the needs of the family.

One factor contributing to the low participation of women in paid jobs is the lack of trust in private factories. The decision regarding women’s employment is still largely made by family, usually by the parents or husband, and women are often discouraged from working in private companies due to the fear that women might be physically exploited in the work. Lokshin and Glinskaya (2009) write that “social and traditional family norms and the structure of the Nepali labor market, which provides limited employment opportunities for women, reinforce husbands’ objections to wives working away from home. Wives thus find it easier to work at home in order to maintain respectability in the eyes of neighbors and relatives” (p. 482). However, it was different in the case of BCP workers, who had formally applied for the job after learning about the vacancy through newspapers. The women workers did not face any objections from their family in their decision to join BCP, although most of them had started working in the company

more than 20 years ago, when the Nepalese society was even stricter towards women. One reason they were easily permitted to join the company was the good reputation of the company and the community's trust in the organization (or maybe organizational structure) as it was established as a UNICEF project through a bi-lateral agreement of UNICEF/Nepal and the Nepalese government. The company was viewed very positively due to the affiliation of an international organization like UNICEF and the Nepalese government, both of which had, in terms of jobs and work environment, high credibility in Nepalese society.

Most of the women workers in GPI had joined the company through a personal contact. As they knew someone already working in the company the family did not have any problem in allowing them to work. Actually, the family members were very happy to see them find a job at GPI, as an unmarried temporary worker reflected:

I came to know about the job through a friend, who worked in this company. No one from my family ever told me or tells me not to work here. My parents are happy that I am able to earn myself. People, however, held a negative attitude towards the company, generalizing that it was a 'factory work', not 'good work' for women. I have never experienced anything bad in my seven years in the company though.

The situation for a married woman was a bit different as she also had to get the consent of her husband. A married temporary worker revealed:

In the beginning, my husband was concerned whether it was a 'good company.' However, as I told him, after I visited the company, most of the workers were women and the work environment was nice he allowed me to work. He fully supports me now as he has learnt more positive things about the company.

Although women were employed in paid jobs, much did not change at home. Almost all women producers, who were married, reported that they were solely responsible for household work, while very few were helped by their husbands or adult children. Though their work and earnings were highly valued the household dynamics remained almost the same. For unmarried women workers the situation was a bit different though; they only had to help other women at

home, such as the mother, sister, or sister-in-law. One change both married and unmarried women producers felt was in their position at home and the worth of their voices in decision-making. They also felt more independent as they could buy at least some of the things they wanted with their income.

The paper companies did not discriminate workers on the basis of sex. The payment for both men and women workers depended upon the type of work, work duration, work experiences, and most importantly their status as permanent or temporary workers. Being a supervisor and/or having the status of “permanent worker” affected the wages rather than their sex. However, most of the top positions and machine-related works in all the companies were held by men; this suggests the prevalence, if not the reinforcement, of a gendered perception of work in the handmade paper sector in Nepal.

Fair-trade and Community Development

The study finds an association between fair-trade participation and involvement in development activities. Although fair-trade member organizations were not obliged to involve in social development activities as per the rule of WFTO and FTGN, they were involved in different activities of social development in some ways. As an FTGN official mentioned:

It is not mandatory for our member organizations to become involved in community development or social development. However, all our member organizations are involved in social development projects. Some are offering scholarships to students while others are running schools to provide free education.

This assertion was true in the context of the handmade paper companies of my study as well. As both GPI and BCP had an objective of contributing to community development, they allocated a certain percentage of the total business or profits for social development purposes. GPI allocated

4% of its total sales of around 100 million rupees for social development activities. Thus, GPI spent approximately 4 million rupees annually, primarily through General Welfare Pratisthan (GWP), an NGO founded by GPI in 1993, for HIV/AIDS awareness programs and girls' education in different parts of the country. Part of the fund was also used to cover expenses of Anita-Milan International Academy, a school established in 2000 by GPI in collaboration with the local community. The school has provided a quality education to around 200 students, offering full scholarships to the children of the permanent workers of GPI and partial scholarships to other students from low economic background. At the time of interview, fifteen children of GPI employees were studying in the school.

While GPI allocated a certain percentage of its annual income for social development activities, it was a thing of the past for BCP. As BCP could no longer pay its employees their full salary due to the decline in sales, they were not in a position to fund the social development activities. BCP was involved in development activities until its financial situation was good. As a company established as a UNICEF project to help with community development they spent at least twenty five percent of their profit in community development activities, such as drinking water supply, education, sanitation, and health until 2000. While BCP also provided some support to the local communities of the Bhaktapur district, where the company produces paper crafts, their community development activities were primarily concentrated in Myagdi, Parbat, and Baglung districts where the Lokta cutters and paper makers, who produced for BCP, were located. BCP had also helped to buy ambulances in Bhaktapur and Baglung in the past.

Thus, while fair-trade companies such as BCP and GPI were involved in different programs of social development their involvement was not necessarily influenced by the fair-trade organizations such as WFTO, WFTO-Asia, or FTGN. BCP and GPI were different from

many other private companies in handmade paper sectors in Nepal in terms of method of operation and emphasis on development. Even without formally affiliating with fair-trade networks, they were practicing some principles of fair-trade. While affiliation with fair-trade morally bound the companies to work for the development of producers and the communities, only those organizations that found their objectives compatible with that of fair-trade principles were willing to join the fair-trade network.

Concerns for Environment and Product Traceability

An important aspect of fair-trade evaluation is whether the companies practice environmentally friendly production methods. Though paper production does not involve intensive use of chemicals, it is important to properly manage both the solid waste and waste water containing chemicals, especially in Kathmandu Valley which faces a serious problem in waste management. Not only the household waste, but a large number of industries also drain wastewater into rivers, without treating it properly; hence, water in the rivers of Kathmandu appears very polluted.

The paper companies had adopted different methods of solid waste management. Although all three companies recycled the paper wastes, minimizing the total solid wastes, there were some differences among the companies in terms of the method of waste management. BCP and GPI followed a more systematic method for managing both solid and water wastes. BCP had a separate recycle unit, adjacent to the main building of the company, for the production of paper using the paper waste. As a producer of paper crafts, BCP used chemicals only for protecting papers from insects and while recycling (for softening the mix of water and paper and making the thickness of paper even). Although they used dyes to produce papers of different

colors, they used only reactive dyes, which were a bit more expensive but had no adverse effects. They also used natural dyes, prepared through local herbs, as per customers' interest. Furthermore, BCP did not mix the untreated water into the drain. As the company was located in Bhaktapur Industrial Area the wastewater was collected into a big reservoir for special treatment before being drained into the drainage of the city. The water treatment system was managed by the Nepalese government, who also owned the industrial area.

GPI followed a similar method. While they recycled most of the paper waste themselves, what they could not recycle was given to another paper factory to make paper board. Like BCP they discharged waste water only after the water was properly treated within the premises of the company. Though BPI also recycled waste paper, they did not treat water before disposing it into the drainage of the city, which means it eventually mixed into the already-polluted rivers in Kathmandu.

Besides the management of waste, it was also equally important for paper companies to have knowledge of how the raw materials were harvested and whether the harvesting of raw materials such as Lokta was sustainable. Knowledge of the source of raw materials is related to an important component of fair-trade practice – product traceability. As an FTGN official explained:

Product traceability is an important part of fair-trade practice. A product is made through a long chain, and we have to understand where the raw materials came from, whether the raw materials were produced in an exploitative situation, and whether the raw materials were sustainably produced.

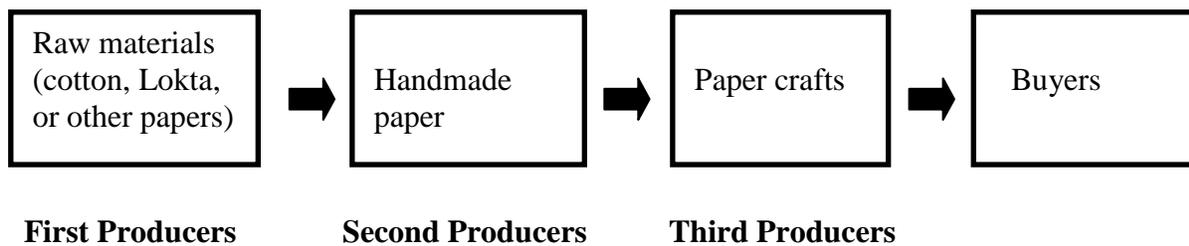
However, there were difficulties in identifying the sources of raw materials of Nepalese fair-trade products as most of the raw materials were imported from other countries, such as cotton from India, carpet wool from New Zealand, etc. As explained by another FTGN official,

It is difficult to trace source as our member organizations use a small quantity of materials from suppliers and they do not really help our members in identifying the sources. We have therefore developed a strategy of tracing the source only as far as we can.

Most of the producer organizations lacked knowledge of the source of raw materials produced within the country as well. FTGN awarded membership to the producer organizations on the basis of how they were operating within the company, without much consideration for how the raw materials were produced.

At least three different groups of producers are involved in the process of creating a paper item. At first, the Lokta is harvested and processed; the next group uses the Lokta to make paper; and another producer group gets the paper to manufacture different paper items. While some companies produced only paper crafts in their companies by collecting handmade paper from others, some produced both the paper and the paper products within the company. However, hardly any paper companies are involved in all three steps.

Figure 4.3: Chain of Producers Involved in the Production of Paper Crafts



BCP produced paper crafts buying Lokta paper from other people. Although BCP did not produce paper, nor harvest the Lokta, they have had an interconnected channel for Lokta harvesting, paper manufacturing, and paper craft production since the date of establishment.

While the paper crafts were produced in Kathmandu Valley, the Lokta harvesting and paper manufacturing took place outside of Kathmandu, in rural parts of Baglung, Parbat, and Myagdi districts. Although Lokta collectors and paper makers were independent of BCP, the company worked very closely with them, committing to buy paper from them. Furthermore, having consulted with experts, BCP had implemented a Lokta Management Plan, approved by the Forest Department of Nepal, for the sustainable harvesting of Lokta. According to this plan, the Lokta collectors had to manage an eight-year-cycle on Lokta harvest as Lokta coppice and new plants from seed are ready for harvest in around 8 years. BCP worked as a facilitator in granting the District Forest Office's permission to Lokta harvesters annually. Furthermore, BCP channeled a certain percentage of its profits for development activities in the communities of Lokta harvesters and paper producers. Thus, although BCP produced paper items buying paper from other producers, they were intricately connected with both the Lokta harvesters and paper producers through the designing of this Lokta Management Plan.

GPI produced both handmade paper and paper crafts. They primarily used waste materials like waste cotton and waste paper from local markets for making handmade paper. They also used Lokta, if buyers specifically demanded, and manually processed machine-made papers into handmade paper. Although they mainly produced paper from Lokta until 1989 they adopted, in their words, an “environmentally-friendly method” of producing paper through wastes. While BPI sometimes produced paper themselves buying the Lokta from the markets in Kathmandu, they mostly bought papers from other producers in order to make paper items. Thus, BCP was primarily involved in the final stage of the total production process – the production of paper crafts.

Conclusion

We see some similarities as well as differences between fair-trade and non-fair-trade paper companies in terms of the way they operate and address the issues of child labor, working conditions, decent wages to workers, employment for women, concern for the environment, and democratization in the organization. Some differences also exist among the fair-trade companies of GPI and BCP. On the basis of how each company deals with these issues, the paper companies are placed in a continuum of “very poor” to “excellent” in the table below. The performance of a company is marked “satisfactory” if the minimum requirements are fulfilled in the company and at least a majority of workers expressed positivity regarding the relevant subjects. Likewise, the companies are categorized as “very poor” if they fall below the minimum requirement level or they are not trying to address the particular at all. If the companies need improvement in meeting the minimum requirements on a specific topic their performance is considered “poor,” and the companies that are doing exceptionally well on that particular area are placed in “excellent.” Finally, the companies that perform better than just fulfilling the minimum requirements are marked as “good.”

Table 4.3: Paper Companies' Level of Performance in Some Topics

| | Very Poor | Poor | Satisfactory | Good | Excellent |
|---|------------------|-------------|---------------------|-------------|------------------|
| Wages to workers | BCP, BPI | | GPI | | |
| Working conditions | | | BPI | BCP, GPI | |
| No use of child & forced labor | | | BPI | | BCP, GPI |
| Employment for women | | | | | BPI, BCP, GPI |
| Democratic input | BPI | BCP | GPI | | |
| Product traceability | BPI | GPI | | | BCP |
| Concern for environment | | BPI | | | BCP, GPI |
| Knowledge of fair-trade | BPI | BCP, GPI | | | |
| Community development | BPI | | | BCP | GPI |

As stated in the table, in terms of worker wages BCP and BPI rank poorly. Most workers in these companies do not receive even the minimum wage set by the government of Nepal. The situation in GPI was a bit different: while the permanent workers received much higher than the government rate of minimum wage, a majority of even the temporary workers earned equal or above the government rate. So, GPI's performance regarding worker wages can be considered "satisfactory." The companies did not differ from each other in terms of providing employment opportunities to women and not using child labor, as all of them had a high majority of women workers and none of them had employed children. All three companies had fulfilled the minimum requirements of working conditions for workers; however, GPI and BCP had a better working environment. In contrast to BPI, most of whose workers were dissatisfied with the way the supervisors behaved or the company treated them, almost all workers in GPI and BCP were happy with the working environment in the company.

The only clear differences between the two fair-trade companies and the non-fair-trade company this project is analyzing existed in terms of concern for environment and participation in community development activities. While BCP and GPI allocated a certain percentage of their profit for community development activities and social development of workers, BPI did not engage in such activities. Likewise, BCP and GPI used more efficient methods of waste management. BPI, on the other hand, even did not properly treat the wastewater (possibly containing chemicals) before draining. Regarding the traceability of products, only BCP had good knowledge of the sources of raw materials as the company was directly involved with both Lokta harvesters and paper producers. BPI and GPI stood below “satisfactory” level in terms of their understanding of the sources of raw materials.

As a private company, BPI did not entertain any democratic practice. There was no institutional mechanism in the company to help the workers express their problems and concerns. GPI had applied a co-operative model for operating the company. The permanent workers, who were also the co-operative members, were involved in decision-making through participation in the three different committees of the cooperative – operational committee, finance committee, and management committee. However, the producers’ lack of knowledge about fair-trade suggests that the producers had a very minimal level of participation in different activities of the company. Despite some efforts of the company, the level of democratic practice in GPI was not very high. BCP did not have the committees like that of GPI and the participation of workers, who were also the shareholders, in decision-making level was very rare. The level of democratic practice and empowerment of producers in BCP was really “poor.”

We do not find a clear line between handmade paper companies on the basis of fair-trade affiliation. While all three companies had a similar level of performance in certain issues, there

were inconsistencies among the fair-trade companies as well. The fair-trade companies were also not performing well in some important aspects like payment to workers, democratic practice, etc. Nevertheless, fair-trade companies were somewhat doing better than the non-fair-trade company on most of the issues. The effectiveness of fair-trade on the socio-economic development of producers will be further discussed in the next chapter.

Chapter 5 - Conclusions

The main objective of this research was to explore the heterogeneity of fair-trade practices and assess the impact of fair-trade on producers' lives. A qualitative study was carried out on fair-trade participating handmade paper producers in Nepal to understand their knowledge, perception, and practice of fair-trade as well as to assess the impact of fair-trade on their socio-economic conditions. The study finds that the producer organizations are primarily affiliated with fair-trade in order to promote their business, as the affiliation brings them multiple and very committed trading partners. Business promotion, however, was not the only factor to motivate the paper companies to join fair-trade; they equally emphasized their respect of and commitment to fair-trade principles in their decision to join the network of alternative trade. Fair-trade affiliation seemed to have positive impacts on the overall business of the paper companies, contributing to growth in sales over the years. Likewise, different training programs of fair-trade organizations, such as FTGN and WFTO-Asia, and fair-trade buyers enhance the capacity of producer organizations. Nevertheless, fair-trade was not a complete remedy for the various problems facing paper companies, primarily the lack of demand for their products in local and international markets. The companies were also affected by long hours of power-cuts and frequent nation-wide strikes.

The study supports the existing claim that knowledge of fair-trade does not exist at all levels of producer organizations. One reason is that the producers themselves are deprived of the opportunities to engage in the activities relating to fair-trade, such as dealing with fair-trade certifiers and buyers or participating in various conferences and fairs. It was usually a few company officials or cooperative leadership that made important decisions about the organizations, often without the producers' understanding of the decisions. A high illiteracy rate

among paper producers may also have negatively affected their understanding of fair-trade. Despite some efforts of GPI to educate workers about fair-trade through signboards and/or meetings most of the workers seemed to have had difficulty in grasping the complexities of trade and fair-trade. Although some producers had heard about fair-trade they could not explain what it actually meant. It is also reasonable to argue that the producer organizations do not consider producers'/workers' awareness of fair-trade a significant part of fair-trade system. In fact, unlike the fair-trade consumers, whose understanding of fair-trade and "conscious" purchasing decisions are always pivotal to drive the movement forward, the paper producers' awareness of fair-trade is much related to their commitment to fair-trade and their understanding of why they are participating in fair-trade and how (or whether) they are benefitting from fair-trade practice. In other words, the lack of knowledge about fair-trade does not necessarily prevent the producers from obtaining the benefits of fair-trade as the paper companies have developed mechanisms to channel the profits of trade back to producers and their communities. Also, the lack of workers' understanding of fair-trade might not affect their commitment to fair-trade partners since the commitment was in the organization in which the paper items were produced (not individually as in the case of coffee and other agricultural commodities) and the organization itself made decision about fair-trade affiliation. Nevertheless, for the sake of both empowering producers/workers and strengthening the fair-trade movement it is still important for the fair-trade producer organizations to ensure workers' participation in decision making and educate them about what fair-trade is and why they are producing for fair-trade markets.

The role of organizational structure and the status of workers in the company determined the flow of information within the company, and consequently affected the level of fair-trade knowledge among different people – company officials, supervisors, workers, etc. – in an

organization. As indicated by the case of BCP, even holding an equal share of a company does not necessarily guarantee the participation of the employees in decision-making; a democratic organizational set up is inevitable for their active involvement in different activities of the company. In comparison to a company (private or public), the cooperative model of organizational structure looked more effective for enhancing the participation of producers in decision making. Although not actively involved in the decisions relating to fair-trade, the producers in GPI Cooperative had better chances to engage while making many other decisions about the company such as distribution of profits, involvement in community development activities, welfare of producers, etc., by participating in different bodies of the cooperative such as the operational committee, management committee, and finance committee of democratically elected members, which make important decisions about the company. However, much still depended on the cooperative leadership or the organization officials; their role was important in ensuring all producers' active participation in various decision-making activities.

The findings of the study suggest that the consumers' role is still very significant in the success of the fair-trade movement as they can pressure sellers to provide fair-trade products in the markets, and who, in turn, can encourage the producers to participate in fair-trade by buying only the fair-trade products from them. In other words, fair-trade is a consumer-driven movement and it still remains that to a large extent. The producer organizations in Nepal tried to affiliate with fair-trade organizations like WFTO, WFTO-Asia, and FTGN, usually only after the buyers inquired whether they were a fair-trade producer and/or if they were selling fair-trade products. The companies wanted to be recognized as fair-trade companies as such recognition was rewarding at the global level. However, producer organizations interested primarily in the benefits accompanying the image of being fair-trade would, upon learning about the fair-trade

principles of transparency, fair wages to workers, elimination of child and forced labor, etc., soon give up their quest. Only those companies that found their principles in some ways already compatible with the fair-trade principles joined the fair-trade system by seeking the membership in WFTO, WFTO-Asia, and/or FTGN. This confirms that producer organizations are affiliated with fair-trade not only to increase their sales, but also to reaffirm their commitment to fair-trade principles.

The study finds that handicrafts-producing companies' affiliation with fair-trade was important for a number of reasons. First, in a developing country like Nepal where the mechanism of regulation is weak, the fair-trade governing body WFTO could force the member organizations to fulfill certain requirements relating to workers, such as decent working conditions and decent wages, and it will have some positive impacts on workers' lives. Likewise, as the study shows, although an organization starts as a private company, it is likely to change its organizational structure into a co-operative as a result of fair-trade affiliation, and this transformation in organizational structure seems to have a positive impact on the socio-economic development of producers/workers. GPI's adoption of a cooperative model within two years of affiliation with fair-trade was beneficial to at least permanent workers, as they each became a cooperative member and were thus eligible to participate in different decision-making activities of the organization and enjoy much better wages, along with Dashain allowance and an annual bonus.

The data suggest that fair-trade affiliation of a company does not necessarily guarantee even the government rate of minimum wages to workers. The performance of a company and the status of the workers were two important factors affecting how the workers were paid. Despite being shareholders, BCP workers' wages were much lower than the government rate due to the

financial crisis facing the company. Likewise, GPI temporary workers earned much less than the permanent workers, and neither did they receive other benefits such as Dashain allowance, free medical facilities, and educational scholarships for children. Nevertheless, considering work-hours, working conditions, and job satisfaction of workers, fair-trade companies were still a better place to work than a non-fair-trade company. If BCP performs better in the future, the employees' economic conditions will definitely improve, which is unlikely to happen in a non-fair-trade private company like BPI. Likewise, although not paid equal to permanent workers, almost all GPI temporary workers earned above the minimum wages and much higher than the workers in BPI, a well-functioning non-fair-trade company. In sum, fair-trade has positive impacts on producers' lives: a company's participation in and practice of fair-trade is very helpful for the improvement in socio-economic conditions of producers.

The findings suggest that fair-trade companies are different from non-fair-trade participants in terms of their involvement in community development activities. Provided that fair-trade companies make some profit, they channel a certain percentage of their income to serve a larger community, by engaging in activities such as constructing schools, awarding scholarships to students from lower economic backgrounds, supporting girls' education, and organizing health camps. Although handicraft-producing organizations did not receive what is generally termed as "social premiums" from fair-trade buyers, the fair-trade affiliated paper companies used their profits for social development activities. The research evidence somewhat attests to the fair-trade advocates' assertion that fair-trade can contribute to the development of producers and their community.

The most important difference between fair-trade and non-fair-trade companies existed in terms of transparency and approachability. The fair-trade companies were very transparent and

open for research: both the fair-trade paper companies granted permission for the research in the very first talk, while it was difficult to get approval in the non-fair-trade company. Besides BPI, two other private companies that had applied for a FTGN membership were also contacted for research and both of them declined, especially because they did not want the workers to be interviewed due to the fear that the working conditions and wages for workers would be exposed. It was in the third attempt that BPI agreed to let me do the research and interview the workers. The fair-trade paper companies were very supportive as well as interested to know the findings of the research, believing that it would provide them guidelines to create better conditions for workers. In other words, the fair-trade companies were at least willing to make changes in the organization so as to provide more benefits to (more) workers.

The study finds that handmade paper companies, though often unintentionally, were creating employment opportunities primarily for women, and this had mainly positive impacts on their lives. Though the income of most of the workers was hardly sufficient to cover the expenses of a family, women workers felt some differences in the way other family members looked at them as they started earning. Fair-trade companies' emphasis on creating employment opportunities for women would be more meaningful if their earnings were sufficient to cover their basic needs, including good schooling for children, and the permanent workers in GPI were in that position. A company like GPI, which is financially in a good position, would seem to have the capacity to provide better wages to temporary workers as well to help them earn a decent living.

Fair-trade can make a difference in producers' lives; it can be an alternative mechanism for monitoring the production process to ensure that the producers/workers are provided decent working conditions and fair wages. However, the method of monitoring and evaluation of fair-

trade companies did not look very strong, as once fair-trade affiliation was granted the companies engaged only in self-assessment. The fair-trade governing bodies also could urge the producer organizations to have more permanent workers than temporary workers and implement a similar method of payment to both groups of producers. Furthermore, those workers who have been working in the same company for quite a long time and are employed nearly year-round could be hired on permanent basis. Likewise, the companies might need to think about providing educational scholarships to the children of temporary workers as well, as their income is hardly sufficient to meet the daily needs.

Fair-trade emphasis on the dichotomy of “Southern producers” and “Northern consumers” seemed to be firmly upheld in Nepal as Nepalese consumers and Nepalese markets were largely ignored. GPI did not sell any of its products in the local markets while BCP was able to sell only less than 5% of its products within the country, and this through fair-trade shops whose customers were primarily foreign tourists. There were only six shops for selling fair-trade products in Nepal as every company would target to sell their products in foreign markets (FTGN, 2011). As the public knowledge of fair-trade is very low in Nepal, the consumers rarely ask for fair-trade products. Fair-trade organizations should work to disseminate information about fair-trade to both consumers and producers, and doing so would help to sell more fair-trade products in the local market. It may also attract more producer organizations to fair-trade and motivate them to change their method of operation in a way that is beneficial to producers.

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Appendix A - Interview Schedule for Producers/Workers

Date:

Reference Number:

Introduction:

- Introduce yourself
- Discuss the purpose of the study
- Read the consent form
- Ask if they have any questions

Demographic Information:

1. Age: _____ Yrs
2. Sex: _____ Male _____ Female
3. Religion:
4. Caste/ Ethnicity:
5. What is your mother tongue?
6. Marital Status:
7. How many children do you have?
8. Total number of family members:
9. Education level
 - a) of the respondent:
 - b) of spouse:
 - c) children: Child 1Child 2.....Child 3.....Child 4.....

Work related Information:

1. When did you start working in this cooperative?
2. Did you have any training before you joined? If yes, where had you got it from?
3. Did you receive any training after you joined the cooperative? What kind of training did you receive?
4. What's your work schedule?
5. What's the payment method?
 - a) per piece b) per hour c) per month d) Other
6. How much do you earn in a month in this organization?
7. Do you have any other sources of income? If yes, what are they?
8. *If married*, what does your spouse do?
9. What's your gross monthly family income?
10. How do you describe the work environment?
11. How do you describe the treatment/behavior from fellow workers and supervisors? From male workers? From female workers?
12. Have you experienced any differences in your role or identity at home or society before and after you started working for the paper company? What are these differences?
13. How do you describe your family's response and support to you (as you are a wage worker)?

Information on Living Condition

1. What is your hometown?
2. If hometown is not Kathmandu, how often do you visit your hometown? When did you last visit your hometown?
3. Which of the following best describes your present housing condition?
 - a) own a house b) rent a room/rooms c) live in relatives'/friends' house d) Other:

4. If you own a house, could you provide some details about the house (such as number of floors, type of building, total number of rooms, etc.)?

5. If you rent, how much do you pay for rent every month?

a) less than 1000 rupees b) 1000 to 1500 rupees c) 1500 to 2000 rupees d) Above 2000 rupees

6. How do you come to workplace?

a) walk b) cycle c) public transportation d) other:

7. How much did you spend on following categories last month?

a) electricity/water:

b) education (of yourself, spouse, or children):

8. Do your children go to school?

If YES, what kind of school (government school or private school) do they attend? If

NO, why do not they go to school?

9. Approximately, how much do you spend on children's education every month?

10. What do you cook food on?

a) biogas b) kerosene stove c) gas stove d) firewood

11. How many times a day do you/your children eat?

12. How often do you cook the following things?

a) rice:

b) chapati bread:

c) lentils:

d) green vegetables:

e) egg:

f) meat (including chicken, buffalo, mutton, pork):

13. Beside your family (your spouse and children), do you have to support anybody (here or in your hometown)?

14. Which of the following do you own?

a) radio

b) television

c) television cable

d) telephone

e) bicycle/motorcycle

15. When did you last visit hospital (including health centers, nursing homes, and health-posts)?

Knowledge of Fair-trade

1. Have you heard about “fair-trade”? What do you know about it?

2. When did you start producing for fair-trade? Why are you producing for fair-trade?

3. What difference do you find on income before and after being associated with fair-trade?

4. What are your plans for future?

Appendix B - Interview Schedule for Company Officials

Date:

Reference Number:

Introduction:

- Introduce yourself
- Discuss the purpose of the study
- Read the consent form
- Ask if they have any questions

Questions:

1. When and how did you establish this cooperative/company?
2. Why did you choose to be a cooperative?
3. Have you heard about “fair-trade”? What do you know about it?
4. Why do you participate in fair-trade system?
 - a) What difference do you find before and after being associated with fair-trade?
 - b) Are there any challenges of fair-trade participation? What are they?

If question 4 is irrelevant:

- a) What are the reasons for not participating in fair-trade?
- b) Do you have any plan to be associated with fair-trade in future?
5. While producing papers what raw materials do you use? How do you get them?
6. What do you do with the residuals? How do you manage the wastes?
7. What are your plans for future?

Appendix C - Photographs



Anita Milan International Academy, a school established with the help of GPI (Picture: by author)



A classroom in Anita Milan International Academy (Picture: by author)



GPI workers making paper boxes (Picture: by author)



BPI workers making gift boxes (Picture: by author)



BPI workers pasting papers (Picture: by author)



BPI workers cutting papers (Picture: by author)



BPI workers cutting and pasting papers (Picture: by author)