

COMPLETION REPORT

Sustainability of Philippine-Japan Fair Trade Relations

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The establishment of the Fair Trade movement in the Philippines has been attributed largely to organizing efforts of fair trade organizations from Europe. It has been noted, however, that in the course of the development of the movement, Japanese organizations have played a key role in helping establish of local fair trade organizations (FTOs) into dynamic development organizations and as thriving business entities that play a key role in local community development. The relationship between these organizations (from both Japan and the Philippines) are punctuated by direct trading relations with the Philippine-based FTO as supplier of fair trade products and Japan-based FTOs, cooperatives, and private business enterprises as a conduit to the Japanese consuming public.

Initially, the research intended to do a case study specifically on the relations of the Philippine-based Alter Trade Corporation (ATC) and Japan-based Alter Trade Japan (ATJ). However, based on comments of the Sumitomo Foundation Selection Committee (Notice of Approval), it was decided to look into other FTOs in both the Philippines and Japan to have a more comprehensive perspective of Philippine-Japan fair trade relations. Thus, the research focused on the relations between Philippine-based fair trade organizations (FTOs) and their Japan-based partners. Identified Philippine FTOs were included in the study primarily on the basis of the presence of present and/or past relations with partners in Japan.

In the course of the research, nine (9) Philippine-based FTOs, five (5) Japan-based organizations, one (1) representative from a Japanese private company, one (1) regional fair trade organization, and two (2) academics were interviewed in the period of June 2012 to December 2012 (see attached list of respondents). This does not include the organizations from both countries that were sent requests for interview but either declined or did not respond to the request.

Review of related literature was done from April 2012 until June 2012. This overlapped with identifying possible respondents for the research, as well as developing the interview questionnaire, framework of the study, and sending out letters of request to respondents. Interviews began in July 2012 and lasted until December 2012. Philippine-based organizations were interviewed for this duration while fieldwork in Japan was conducted in October 2012.

One of the key attributes of fair trade relations between Philippine FTOs and their Japanese partners is the preference for small producers and direct/people-to-people trading relations. This is what primarily differentiates Philippine-Japan fair trade relations (Cabilo 2010). The study explored the factors of sustainability of the partnership between Philippine and Japanese FTOs in terms of the density of interaction between organizations and their network vis-à-vis their trading relations, the monetary value of trade, and the diversification or contraction of products and/or services offered and produced by Philippine-based FTOs and Japan-based partner organizations as conduits to the Japanese market. The research examined the frequency (where possible) and quality of communications and interactions between the aforementioned Japan and Philippine FTOs to be able to aptly characterize the social network that undergirds the practice of fair trade between the two sides. The value of financial transaction points to the financial viability of FTOs. The third factor, diversification of products and services, indicates the broadening and deepening of fair trade practices not only through the market but also in the number of its advocates. In sum, we argue that the density of interaction between these FTOs and their networks directly contributes to the increase in the monetary benefits of trade for both organizations, both of which in turn contribute to the diversification of products and/or services of both Philippine- and Japan-based FTOs. In 2007 and 2008, food products accounted for 79 percent of the total retail sales of fair trade products (Institute for International Trade and Investment 2009).

Research Results

Key findings of the study include:

1. Philippine fair trade organizations were able to establish links with Japan-based fair trade organizations in different ways: a) through personal or political networks of key personalities in the organizations (i.e., proprietor of the fair trade enterprise, a personal friend of the head or point person of the fair trade organization, or contacts through the Philippine-Japan progressive movement). Another means for creating relationship between Philippine FTOs and Japanese organizations was through the global fair trade network, International Federation of Alternative Trade (now World Fair Trade Organization). The global platform also provided a venue for fair trade advocates in the Philippines to meet with Japanese academics. In terms of expanding network reach, only Alter Trade Corporation (ATC) and SPFTC through their Japanese partners are able to build a broad base of support. In the case of ATC, Alter Trade Japan's (ATJ) partnership with the Seikatsu Club Consumers' Co-operative, Green Co-op and PAL System provides a potential of a stable and reliable market for ATC's muscovado (raw) sugar and *balangon* banana. PEPUP opens for SPFTC a huge number of university students who can be potential markets and advocates of fair trade in Japan.
2. In most of the organizations interviewed, volume of trade was at the steady pace, neither significantly increasing nor decreasing through the years. This can be said in partnerships between two fair trade organizations and may be attributed to the commitment these fair trade organizations have for long-term partnerships based on mutual respect and trust. In some cases, trade partnerships on a purely business level were either discontinued or did not push through since there is no commitment to pursue long-term partnerships.

3. Following through their commitment to engage in long-term trading partnerships, most Japanese fair trade organizations provide insights and advice to their Philippine partners in terms of improving product quality and expanding product lines (i.e. Salay Handmade and Press Alternative/Asante Café, SPFTC and PEPUP). Providing technical assistance and direct financial support was unique to the partnership between ATJ and ATC to invest in the improvement of production capacities of the latter as the business grew bigger. For smaller Japan-based fair trade organizations such as PEPUP the active involvement of students is a primary way of helping their Philippine partner to promote fair trade products and concepts in Japan.
4. There is constant innovation in the designs of Philippine fair trade handicraft products, an area in which both Philippine and Japanese FTOs work together.
5. In the case of food, the biggest challenge for Philippine fair trade organizations is to comply with the high standard of Japanese consumers not only for quality but for packaging as well. Consumer demand, as with traditional business relations, to a certain extent, impacts whether a certain food product will continue to be sold in Japan.

Ikegami (n.d.) cites that purchase of fair trade products does not necessarily translate to consumers' understanding that fair trade was borne as a response to changes in the conduct of international trade and the situation faced by many Southern producers. In most cases, the decision to buy fair trade products are not based on the concept of "fairness," which in fair trade parlance is translated to preference for products made by small farmers under fair trade conditions. The still low level of awareness among Japanese consumers presents an opportunity for growth for the fair trade market in Japan. It also opens up door wherein the potential of the role of Japan-based fair trade organizations and individuals alike to further Philippine-Japan fair trade relations. The role that Japanese students can play in mobilizing support for fair trade is ripe for the picking based on their interest in fair trade. Academics who have been active participants in the fair trade movement can play a critical role in promoting fair trade among their students by providing opportunities for the students to fill their desire to be a part of something that can positively impact small and marginalized producers. Student involvement in fair trade is not limited to providing market for fair trade products. More importantly, they can serve to propagate and promote understanding about fair trade. In recent years, interest among academics on fair trade has produced Japanese-language studies and materials. This is one area where English-speaking Japanese students can help by translating these materials to English to also open up understanding of fair trade practice in Japan to organizations and individuals from other countries. At present, some university professors that have programs on social and international development encourage their students to be exposed to Third World realities, and this provides an opportunity for students to learn more about fair trade producers.

A more recent study by Tatsuya Watanabe (2010) tackles the challenges and opportunities facing the Japanese Fair Trade movement, noting the increasing support for Fair Trade from the Japanese public and even from the Japanese parliament. The creation of a groundswell of support for fair trade among consumers and within policy circles may very well help in sustaining Philippine-Japanese fair trade relations.

On the other hand, Philippine fair trade organizations face the challenge of constant innovation in design and packaging of products; fair trade labeling, not limited to FLO label, as an important way to promote their products in the Japanese market. Labels are powerful tool for consumers to identify fair trade products, which holds true among Japanese consumers. It may be worthwhile to explore the WFTO guarantee system that will allow them to use the WFTO Product Label as a means to identify their products as fair trade products.

Publication of the Results of Research Project:

Verbal Presentation (Date, Venue, Name of Conference, Title of Presentation, Presenter, etc.)

Results of the study were presented by research co-collaborator Joel F. Ariate entitled “Of Perfidy and Fairness: Report from the Field on the Practice of Fair or People-to-People Trade between Japanese and Filipino Organizations” during the 8th International Fair Trade Towns Conference in Kumamoto, Japan on March 27-30, 2014.

Thesis (Name of Journal and its Date, Title and Author of Thesis, etc.)

Book (Publisher and Date of the Book, Title and Author of the Book, etc.)